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UK Community Foundations

for thriving communities

UK Community Foundations (formerly Community Foundation
Network)

Report and Financial Statements

For the year ended 31 March 2013

Charity Number: 1004630

Company Number: 2651777

UK Community Foundations

Legal and administrative details

For the year ended 31 March 2013

Status The organisation is a charitable company limited by guarantee, incorporated on 7 October 1991 and registered as a charity on 11 October 1991

Governing document The organisation was established under a memorandum of association on 7 October 1991 and amended on 2 December 1993, 17 July 1996, 21 October 1998, 19 January 2000, 27 April 2001 and 23 April 2003 which established the objects and powers of the organisation and is governed under its articles of association

Company number 2651777

Charity number 1004630

Registered office and operational address
12 Angel Gate
320 - 326 City Road
London
EC1V 2PT

Honorary presidency
Baroness Usha Prashar (Honorary President)
Honorary Vice Presidents
His Grace the Duke of Westminster KG CB CVO OBE TD CD DL
Sir Christopher Gent

Honorary officers
Matthew Bowcock Chair
Hamish Buchan Treasurer

Members of the board and authorised for distribution

Members of the Board, who are also trustees under charity law, who served during the year and up to the date of this report were as follows

David Sheepshanks (appointed 16/04/13)
Matthew Bowcock (resigned 16/04/13)
Hamish Buchan
Clive Cutbill
Charles Clark
Cathy Elliot
Tony McCusker
Rosemary Macdonald
Andrew Middleton

Kate Mulkern (resigned 01/11/12)
Marcelle Speller (co-opted)
Professor Murray Stewart
Graham Tuttle
Terry Walsh
Eric Watts
Rob Williamson
Victoria Miles (appointed 13/05/13)
Caroline Duckworth (appointed 13/05/13)

Chief Executive Stephen Hammersley

Company secretary Maxine Abrahams

UK Community Foundations

Legal and administrative details

For the year ended 31 March 2013

Bankers	Caf Bank Ltd Kings Hill West Malling KENT ME19 4TA	Bank of Scotland Pentland House 8 Lochside Avenue EDINBURGH EH12 9DJ	Coutts & Co 440 Strand LONDON WC2R 0QS
Solicitors	Russell-Cooke 2 Putney Hill LONDON SW15 6AB		
Auditors	Kingston Smith LLP Chartered Accountants Devonshire House London EC1M 7AD	60 Goswell Road	

Chairman's Statement

Set against the difficult economic climate over the past five years, community foundations have become a key part of the social fabric of our society. Our members have continued to add to their endowment, deliver meaningful grants and show the type of creativity required to earn our position as leaders of community-based philanthropy. The charities that we help people support provide the 'glue' that holds communities together. They serve to unite and represent the best way to help 'hard-to-reach' vulnerable people. This is why partners like Comic Relief, London Evening Standard and the Big Lottery work with us.

Much of this progress has been down to our last Chairman, Matthew Bowcock who stood down as Chair in May 2013. The Board thanks Matthew for his hard work and commitment to UKCF over the past six years. Under his Chairmanship, community foundations have grown from predominantly helping make grants on behalf of government to being leaders in local philanthropy development.

As the new Chair, I want to expand public awareness of the extraordinary interventions that our 54 member foundations make to improve quality of life in their neighbourhoods. I want to build our reputation with governments, corporations, donors and professional advisors so we are seen as natural partners to help them achieve their aims in the community.

My term starts with key successes. We are in the final stages of the Fair Share Trust programme, which has seen £51m of grant funding distributed to deprived communities that the Big Lottery found it hard to reach. The Beacon Fellowship and the Esmée Fairbairn funded Philanthropy Fellowship are leading our philanthropy development. It is by building on successes like these and the underlying strengths of our member community foundations that we will enhance our reputation and profile.

UK Community Foundations continues to provide exceptional value for members. We again delivered more core cost funding back to members than we received in membership subscriptions. Our services to members are maturing, helping make members more effective. We see the development of member services a key part of our work over the coming year.

The table below shows the history of UK Community Foundations contribution to our members.

£ Million	10 Years Aggregate	5 Years Aggregate	2012/13
Total funds influenced by UKCF or through a UKCF managed contract	£335m	£178m	£19m
Total funds through UKCF managed contracts	£142m	£108m	£19m
Total funds through UKCF managed contracts excluding endowment match	£85m	£52m	£13m
Core cost grants via UKCF	£1.7m	£0.7m	£0.3m
Core cost grants made by UKCF to members per £ of member subscription	£1.80	£1.10	£1.30

David Sheepshanks CBE DL
Chair, UK Community Foundations

1. Introduction

Since our first community foundation in the UK was created in 1975, we have helped individuals, families, entrepreneurs, companies, charitable trusts and public sector bodies connect with, support and invest in their local communities right across the UK. Throughout that time we have had one simple objective: to help build thriving communities. These words are important as they reflect our vision of what we are all about both as individual community foundations and collectively, as a national body. They define what we and the donors that we support want our regions, cities, towns and villages to be.

A thriving community is one where people work together to utilise the resources available to them to address disadvantage and lack of opportunity as well as their desire for good local amenities, vibrant arts and culture, safe, supportive neighbourhoods, and a flourishing greener environment. This is not an abstract concept but an experience that everyone can – and should – be able to aspire to and enjoy. This report explains how the work of UK Community Foundations has contributed to making this more of a reality in 2012/13.

2. UK Community Foundations' Vision and Goals

Our vision for the network of community foundations is for members to be seen as catalysts of social change, making community philanthropy compelling and engaging local people in making communities better places to live and work.

Our vision for UK Community Foundations is to lead the national development of community philanthropy, speaking authoritatively on behalf of members, and to add value to the members through the provision of contracts, services and peer to peer support.

Our goals for this plan period were for UK Community Foundations and its members to be recognised as the driving force for the development of community philanthropy. By 2015 we aimed to:

- Be developing community philanthropy at an accelerating rate, developing sustainable and independent sources of funding that help unlock other local resources to address local issues and strengthen communities.
- Have consolidated our position as a key part of the UK's infrastructure for civil society, maintaining high standards, with a significant presence in the media and influential in philanthropic policy and practice.

3. UK Community Foundations' Objects, Objectives and Activities for the Public Benefit

The Board has complied with the duty in section 17 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission when reviewing UK Community Foundations' aims and objectives and in planning future activities. In particular, the Board has considered how planned activities will contribute to the aims and objectives they have set.

The objects of the charity are:

- To promote and improve the efficiency and effectiveness of community foundations in direct pursuit of their objectives, in such a manner as may be thought fit and in particular by raising and distributing funds for application for the general purposes of such foundations
- To advance education of the public in the work of such foundations
- To promote other charitable purposes of benefit to the community

The changes or differences that UK Community Foundations seeks to make are.

- Enhancing and raising the national profile of community foundations
- More private sector donor clients approaching community foundations for philanthropic advice and community foundations being able to help them increase the effectiveness of their giving
- More money invested for social change in communities, through UK Community Foundations managed and supported programmes
- Stronger community foundations, leading to increased efficiency and effectiveness
- Demonstrating that, through the learning gained from our management of Fair Share Trust and our members' convening power, we can mobilise local partnerships that unlock the potential of the people and assets in areas that were considered by the Big Lottery to be among the least advantaged and lowest capacity communities in the UK

4. Achievements and Performance

4.1 More local giving

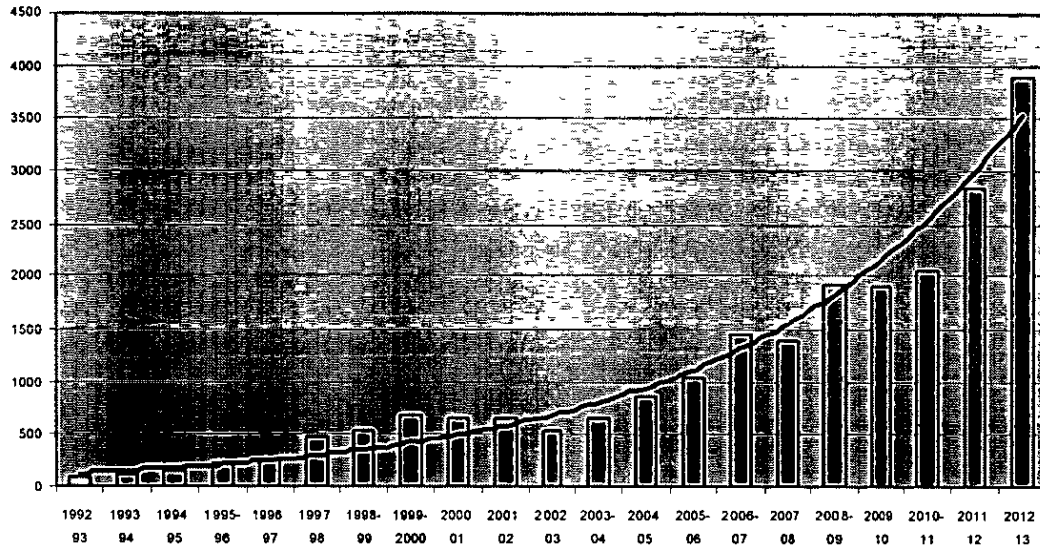
During the year, UK Community Foundations again made a strong direct contribution with

- £13m of grants being channelled to effective local charities through community foundations
- £6m of endowment match funds being paid through the Community First Endowment Challenge, representing a 50% uplift on the £12m of endowed giving raised by community foundations in England.
- £228k of core cost grants paid to community foundations through the Philanthropy Fellowship (Time to Give) programmes

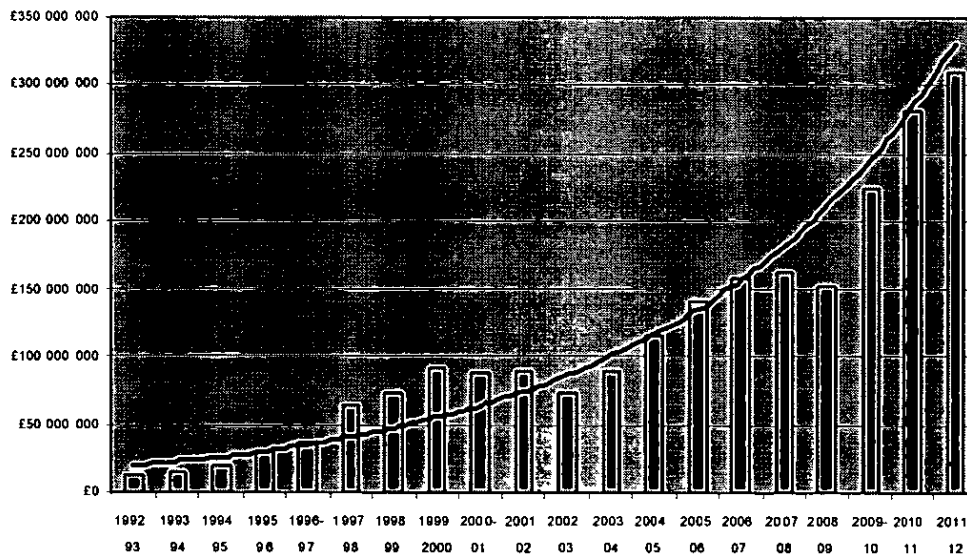
During the course of the year to 31 March 2013, we collected data on the performance of the network of members as reported in their audited accounts to 31 March 2012. This data set extends back to the first years of the movement in the early 1990s. The following charts illustrate the growth that we have supported. These charts show.

- Accelerating numbers of people giving locally through community foundations
- Increased endowment available to ensure independent funding to enable sustained change
- Fluctuating grants volumes as government programmes have been cut and offset by a significant rise in non-statutory sourced grant making.

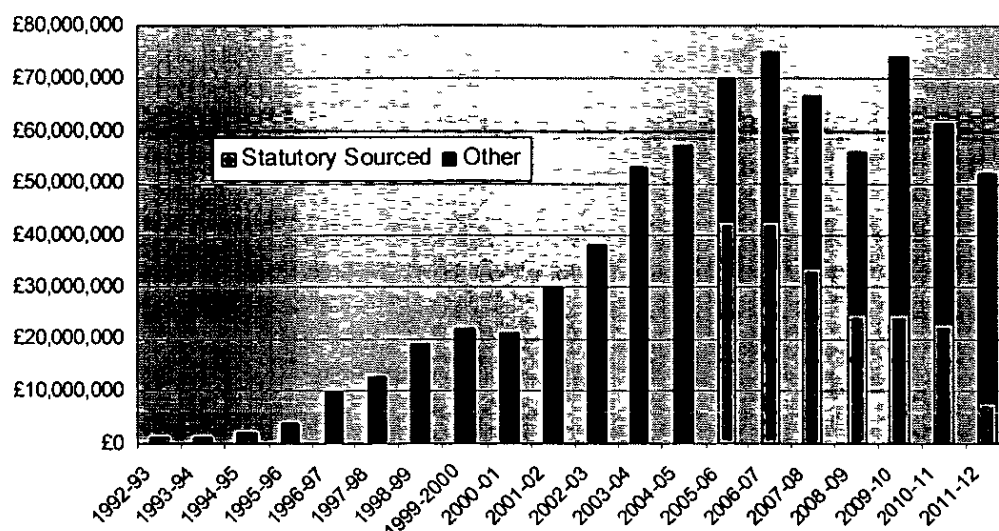
UK Community Foundation Network Growth **Number of Clients Funds at Community Foundations** **1992 to 2012**



UK Community Foundation Network Growth £ Endowment **1992 to 2012**



UK Community Foundation Network: Grants Made 1992 to 2012



Note Information about the split between statutory and non statutory grant making not available prior to 2006-07

A questionnaire distributed to community foundations at the end of the financial year showed this pattern of growth continuing.

The specific impact of the work of UK Community Foundations against the plans summarised in our last annual report has been:

- Strengthening Core UK Community Foundations:
 - Development & delivery

We have implemented the restructuring proposed in our last report designed to refocus UK Community Foundations on delivering core services to members in return for membership subscriptions. This is designed to lay the foundations for a significant increase in the number and value of new programmes

In this context we recruited a Development Director who started in October 2012 and by 31 March 2013 we already had one new programme with the Big Lottery Fund (BIG) and well-developed plans in place for two new corporate offerings; a community benefit product and a tribute/legacy product

The Fair Share Trust Programme has progressed well. The spend profile has been well managed to the point that only a few thousand pounds out of the £51.5m of grants remain at the year end. Risks have also been well managed. Most significantly we have been able to demonstrate very clearly that we have built the capacity of communities that were too tough for BIG to access through a centralised approach. We have done so by giving real ownership of the investment strategy to a partnership of local people. The only conditions that they had to agree on was an approach that builds social capital and community capacity and that can be mapped against data provided by the local authorities on key local priorities. The programme has already ended in Scotland and

Northern Ireland and in both nations significant new programmes have resulted drawing, at least in part, on the capacity built through Fair Share Trust. In England and Wales the programme ends in June 2013 and given this fact BIG Lottery have agreed that the report of the "Protector", the independent regulator, will bound into the UKCF accounts for 2013/14. Further details of the impact of the programme are available at www.fairsharetrust.org

Our relationship with Comic Relief has also been strengthened through an evaluation that shows that our approach to localised grant making helps Comic Relief reach new organisations and our supportive and accessible structure supports their brand. At the close of the financial year, a new two year contract had been agreed, subject to ratification from the Comic Relief trustees

Our philanthropy programming has made a solid start in particular the Esmée Fairbairn funded Philanthropy Fellowship has significant promise. This programme allows community foundations to interact more strategically with potential and existing donors, trial offering more opportunities for donors to meet each other, provide donors with access learning opportunities, and allow donors to have one-to-one discussions with community foundation staff which we hope will prompt more effective philanthropy. Around 100 donor clients signed up to the programme in its first year, only slightly below our hoped-for level of take-up

- o Member services

During the year we succeeded in recruiting a Membership Services Manager who has secured Charity Commission endorsement for the next three years of our Quality Accreditation programme. Our programme was launched to community foundations in March 2013. There is a new strong organisational development aspect to this work. Our plans are that the quality process will identify best practice to aid the development of new services. This will support the planned step changes in the network's collective capability and performance

- o Marketing and communications

During the year we completed a significant network wide consultation to address the reality that there is no common "voice" or messaging from community foundations. The consultation highlighted the wishes of the members for a name and visual identity that reflects, in a more focused way, our role as a unified, national philanthropic movement, whilst also strengthening links to our local community foundations. In November 2012 we agreed a name change and new logo but more importantly a messaging framework that will allow the whole to be greater than the sum of its individual parts with examples of great work around the country being used to support our collective positioning and brand. Quite simply put, with the very modest budgets available centrally, the premise of the project was that we needed this common framework so that our marketing and communications work across our members is reinforced.

During the year we also managed the "Surviving Winter" campaign that resulted in over £2m of funds flowing to help vulnerable older people over winter and we received over 300 press mentions

- Network Leadership

Our work to develop strategic directions for community foundations, influencing policy, practice and thinking in the UK and developing international linkages has proceeded less quickly than we had hoped

The success of the model that we pioneered for Fair Share Trust and its application to brokering partnership working alongside wind farm developers and communities has been one area of success that will be built on in 2013/14

In response to a motion from the floor of at an AGM, which recommended that an awards process was an effective mechanism for demonstrating leadership and raising our profile, UKCF became the sole corporate member of The Beacon Fellowship Charitable Trust in 2009. The Beacon Awards in February 2013, the first that we managed from end to end, were a great success. UKCF's focus on philanthropy merits celebration and the excellent examples that were showcased at the awards contain approaches that other people will find inspirational and instructive. Having re-established the pre-eminence of Beacon, UKCF must now make the process work strategically and well for community foundations.

During the year we were also instrumental in the launch of "Philanthropy Impact", the leading reference point for professional advisors and donors on the practice of philanthropy. UKCF initiated a project funded by Office for Civil Society to change a web-based service that had been dependant on government grants (Philanthropy UK, a project of the Association of Charitable Foundations) to a sustainable industry-funded company. This was achieved when the project resulted in the merging of three existing philanthropy support organisations into "Philanthropy Impact".

Social Finance was identified by members as an area of increasing interest to donors. The successful first stages of the work with Fredericks Foundations to establish ten micro finance hubs hosted by community foundations was welcome, but our plans to establish a wider collaboration between community foundations, prompted by an investment from lottery, has proved impossible to realise. One of the constraining issues has been that we have yet to see evidence that social finance invested in early stage enterprises can cover all of its costs and be self-sustaining, a reality that has not as yet penetrated the design criteria of national programmes to which we could bid. Work to develop a social finance fund alongside the Community First programme also fell foul of government rules.

Finally, and perhaps most significantly, the Board consulted widely in 2012 to identify the characteristics of the right person to chair UKCF and to build on the significant progress seen under Matthew Bowcock's term. The Board were delighted that David Sheepshanks DL CBE accepted the invitation to chair the Board with effect from April 2013.

- Establishing a Ventures capacity

Our plans as set out in the last Board Report were to establish a ventures capacity so that innovation could be progressed using the resources of all members, volunteers and pro bono support to deliver approved projects and to test ideas that might then be rolled out across the network.

We have not been able to secure finance for such a capacity, but our work over recent years to highlight the effectiveness of community foundations and their reach outside of London has resulted in an increasing usage of the network by London-based charitable foundations

5. Structure Governance and Management

UK Community Foundations is a charitable company limited by guarantee with governance arrangements provided for by the company's memorandum and articles of association

UK Community Foundations is the national membership organisation for community foundations in the UK. Community foundation means a foundation established to generate funds from all sources (including money given to create endowments), in order to provide grants for charitable purposes related to the needs of a defined community. Community foundations thus provide services to donors and engage with others to strengthen local communities

Membership of UK Community Foundations is restricted to quality accredited community foundations in the UK. The full members of UK Community Foundations elect the trustees of UK Community Foundations for three year terms, with a minimum of four trustees being trustees of member community foundations and a minimum of four being staff employed by member community foundations. Trustees are co-opted onto the board to bring experience and skills to bear that are considered necessary by the board.

These requirements mean that UK Community Foundations benefits from having the majority of trustees very familiar with UK Community Foundations and the issues that the board consider. UK Community Foundations' induction processes for new trustees includes a personal briefing from the CEO and the issuing of a board manual setting out the generic responsibilities of trustees and the specific responsibilities and roles that are required under the UK Community Foundations governing documents. The Board meetings fit into the planning cycle so that the Board is able to focus on developing strategy, approving a three-year plan, agreeing the annual budget and reviewing lessons learned

UK Community Foundations is quality accredited in line with the standards endorsed by the Charity Commission and that are consistent with the Commission's "Hallmarks of an Effective Charity"

UK Community Foundations is also the sole trustee for the Fair Share Trust. The Fair Share Trust, established in June 2003, is governed by a Trust Deed and is charged with delivering £50m of lottery money to some of the UK's most disadvantaged communities over a ten-year programme

The Board of UK Community Foundations is the decision-making body for the company. The board has delegated powers to sub-committees to take specific decisions consistent with the overall direction set by the whole Board

Although the Fair Share Trust programme appears as an item on all main Board agendas and its successful delivery is a key strategy for the plan, the Board has delegated to the Fair Share Trust Committee the responsibility for agreeing neighbourhood strategies against which funds will be released to the Agents delivering the programme. This committee also examines the risk in the programme at a highly granular level of detail.

A Finance and Audit Committee oversees the investment of the Fair Share Trust monies and audit arrangements, albeit that as all the Fair Share Trust monies are now invested in a portfolio of fixed rate deposits and cash at two banks, the committee has not had to meet in the year. The Personnel Committee decides on staff remuneration and policies. An Accreditation Committee approves community foundations' applications for the award of our Quality Accreditation (QA) and reviews and recommends changes to the QA process. The Programmes and Operations Committee approves large scale or higher risk grants programmes and monitors UK Community Foundations' performance with these programmes. The IT Strategy Committee oversees our development of the database that community foundations use and our relationship with Localgiving.com

UK Community Foundations is the sole corporate member of the Beacon Fellowship Charitable Trust. UK Community Foundations has nominated two Directors to the board of Beacon (Anne Boyd and Matthew Bowcock as at 31 March 2013) with the two other Directors and the Chair being independent of UK Community Foundations. It is intended that there will always be a majority of Directors independent from UK Community Foundations as we want the Beacon prizes to be seen as an independent "sector-leading" and sector-wide process for the recognition of extraordinary philanthropic achievement.

As at 31 March 2013, UK Community Foundations was a 50% stakeholder in Localgiving.com Ltd and UK Community Foundations nominates two Directors who are held to account by the IT Strategy Committee. In consideration for an additional investment in Localgiving.com Ltd by the other shareholder we have agreed to reduce our shareholding to 20% and nominate one Director, but the necessary documentation was not completed by the year end. UK community foundations has no financial liability for the losses incurred by Localgiving.com Ltd and there is no requirement for additional capital to be contributed. Localgiving.com Ltd is generously funded by Marcelle Speller (a co-opted trustee) and a foundation settled by Marcelle which is the other shareholder.

The staff team has changed significantly during the year in line with our restructuring and the redundancy of three staff last year. The CEO was authorised to recruit a new Development Director to invest in our work to develop new income streams for UK Community Foundations and members and Matt Pilkington joined us in October 2012. Neelam Devesher joined in September 2012 as Member Services Manager to enable more effective support for organisational development and network-wide collaborative working. Mark Greer joined to head up our philanthropy business unit following our success in securing sponsorship for Beacon. Sabia Khanam joined to support the CEO and the senior team in a PA role. The team delivering the Fair Share Trust has remained unchanged.

The trustees have reviewed the major risks to which the charity is exposed, and systems and procedures are in place to manage these risks with reports from the CEO received quarterly at board meetings. The key risks are associated with the ongoing resourcing of UK Community Foundations and the financial, operational and reputational risks associated with the delivery of UK Community Foundations' programmes.

The legal and administrative information shown earlier, form a part of this report

6. Investment Policy

The Fair Share Trust investments were in a series of fixed deposits and cash at two banks, maturing in line with the spending requirements of the programme. As at the end of the year, the funds had effectively all been spent in line with the programme plan and residual sums were held in cash.

UK Community Foundations holds a small proportion of the Charles Stewart Mott Foundation expendable endowment in CAF UK Equity Growth Funds (which were sold as a post balance sheet event) and all remaining investments are held in interest-bearing bank accounts which allow instant or short term (90 day or less) access.

7. Grant Making Policies

UK Community Foundations has been successful in winning contracts where we manage the primary funding relationship then awards grants on behalf of donors or other funders to community foundations for disbursement in the communities they serve. The grant making policy for each programme is set in accordance with the specific aims and objectives of the funder and these are communicated to community foundations through formal grant offer letters. Monitoring and evaluation reports are required for all grants – the requirements of each donor and the size and time frame for the grants determine the exact nature of the reporting. Site visits are an important component in the monitoring process for larger multi-year grants. The Fair Share Trust programme is governed by a Trust Deed and the grant making requirements are set out in a detailed Guidance Manual and formal service level agreements.

8. Financial Review

The principal sources of unrestricted funding for UK Community Foundations (£504k in total) were

Source of Funding	31 March 2013 % of Unrestricted Income (Total £504k)	31 March 2012 % of Unrestricted Income (Total £542k)
The Office for Civil Society (Cabinet Office)	34%	42%
Membership subscriptions	32%	28%
IT related subscriptions	19%	17%
Charles Stewart Mott Foundation	6%	6%
Other income	9%	6%

UK Community Foundations is a strategic partner of the Office for Civil Society (OCS). Of the £173k received as unrestricted monies, £112.5k for UK Community Foundations core costs in 2012/13 and this will taper down to £75k in 2013/14. The remaining £60k of OCS funding in 2011/12/13 was designated to be used by UKCF to support the core costs of our co-grantee, the Association of Charitable Foundations.

As part of a three year grant funding commitment ending in 2013/14, OCS also contributed £125k of restricted funding to transition Philanthropy UK into a new organisation. This work was completed in January 2013 when Philanthropy Impact was formed. The deficit of £53k shown in the restricted fund (note 16) reflects the fact that the final tranche of the grant is not payable until 2013/14.

UK Community Foundations also managed the Surviving Winter Campaign, channelling funds to vulnerable older people who needed help over the winter months. A small deficit on the fund (note 16) reflects the fact that monies were released to beneficiaries via community foundations in advance of donations and gift aid claims being received.

The Charles Stewart Mott Foundation funding supports core costs, as do membership subscriptions. The Charles Stewart Mott Foundation funding is an essential and highly valued source of funding for UK Community Foundations and over many years this support has been instrumental in allowing it to do its work to strengthen and expand the network of community foundations in the UK.

Income from the Fair Share Trust is retained within the Trust and the objects of the Trust determine its use, as is the case for the original capital settlement.

Unrestricted funds of £194k were broadly unchanged during the year as planned expenditure in the areas of marketing and programme development only kicked in during the second half of the year.

9. Reserves Policy

The trustees have reviewed the reserves policy and have concluded that at any time UK Community Foundations should be covered financially for 12 months, taking account of both

unrestricted reserves and firm funding commitments, to ensure continuity of activity should any unforeseen funding gaps arise. The trustees believe this policy is a sensible balance between the need to maintain a secure long-term financial position and the requirement not to hold excessive charitable funds. At the end of our financial year the reserves policy was met.

10. Plans for the Future

The key strategies that the Board has approved are to

- Raise community foundations' profiles by promoting and advancing community philanthropy¹ through community foundations
- Strengthen community foundations by developing and sharing best practice and rolling out a new technology platform to improve efficiency and effectiveness
- Market and sell Community Foundation based services - winning new money for communities and community foundations through UKCF managed programmes
- Form partnerships that help community foundations access technology, social finance and other opportunities that unlock local resources and influence policy
- Improve UKCF effectiveness and funding.

The three Year Objectives that will allow the Board to monitor progress made in these areas are:

- The evidence of impact of community foundations and their clients will feature in the media and policy development processes in all 4 nations
- Fair Share Trust programme completed by 31/12/13 and seen as an outstanding success and advert for Community Foundation capabilities
- All community foundations to have a development plan and to be Quality Accredited or to have a plan to be awarded Quality Accreditation by 31/12/2013
- New technology (called "D2") delivered to provide efficiency savings for community foundations (£500,000 per annum) and enabling new services
- £15 million of additional grants and social finance per annum to be delivered through community foundations, but won by UKCF
- £75 million of new endowment through Community First and other initiatives managed by UKCF
- 1,000 additional philanthropists using community foundations through the Philanthropy Fellowship Programme, Beacon and other UKCF managed initiatives
- A plan produced by September 2013 that prioritises the partnerships that UKCF needs to develop to enhance the impact and awareness of our network UK wide
- A social finance brand for community foundations available from 2014 to be used to market our capability to invest in social enterprise and raise capital
- A sustainable financial model for UKCF, in place by April 2014 with the costs needed to deliver this plan covered 100% by subscriptions and earned income

11. Statement of Responsibilities of the Board

The Board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

¹ Community Philanthropy involves people working together locally to use the financial and other resources available to them to improve others' lives

Company law requires the board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the group and charity and of the income and expenditure of the group and charity for that period In preparing these financial statements the board is required to.

- Select suitable accounting policies and apply them consistently,
- Observe the recommendations and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the charity will continue in operation

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and charity and which enables the trustees to ensure that the financial statements comply with the Companies Act 2006. The Board is also responsible for safeguarding the assets of the group and charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

12. Audit Information

So far as each of the trustees, at the time the trustees' report is approved, is aware:

- a) There is no relevant information of which the auditors are unaware; and
- b) They have taken all relevant steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

13. Members Liability

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up The total number of Members at 31 March 2013 was 50

14. Auditors

Kingston Smith LLP has indicated their willingness to continue in office and is deemed to be reappointed in accordance with section 487(2) of the Companies Act 2006

Approved by the Board on 21 November 2013

Signed on its behalf by


David Sheepshanks CBE DL, Chair

Independent Auditors' Report to the Members of UK Community Foundations

We have audited the financial statements of UK Community Foundations for the year ended 31 March 2013 which comprise the Consolidated and Charity Statement of Financial Activities [the Consolidated and Charity Summary Income and Expenditure Account], the Consolidated and Charity Balance Sheets 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).

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 and trustees those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 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 charity'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 Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2013 and of the group's incoming/outgoing resources and application of resources, including its income and expenditure, for the year then ended, and
- 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.

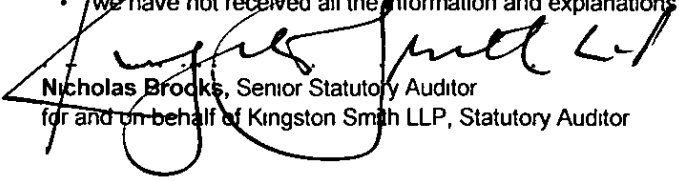
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual 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:

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures or trustees' remunerations specified by law are not made, or
- we have not received all the information and explanations we require for our audit.


Nicholas Brooks, Senior Statutory Auditor
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London EC1M 7AD

Date 22/11/13

UK Community Foundations

Consolidated statement of financial activities (incorporating an income and expenditure account)

For the Year Ended 31 March 2013

	Notes	Restricted £'000	Unrestricted £'000	2013 Total £'000	2012 Total £'000
Incoming resources					
<i>Incoming resources from charitable activities</i>					
Donations and grants	3a	7,188	204	7,392	11,029
Subscriptions		-	162	162	153
Other income	3b	-	138	138	125
<i>Investment income and interest</i>	4	45	-	45	189
Total incoming resources		7,233	504	7,737	11,496
Resources expended					
Charitable Activities	6				
Fair Share excluding grants		1,086	-	1,086	1,061
ICT Services		-	197	197	147
Member Services		-	328	328	526
Other Programmes		558	-	558	598
Grant Payments	5	12,852	-	12,852	14,749
Governance	7	27	10	37	46
Total resources expended		14,523	535	15,058	17,127
Net expenditure for the year	9	(7,290)	(31)	(7,321)	(5,631)
Unrealised gains on Investments	11	-	8	8	-
Net movement in funds		(7,290)	(23)	(7,313)	(5,631)
Funds at 1 April 2012		8,296	207	8,503	14,134
Funds at 31 March 2013	16, 17	1,006	184	1,190	8,503

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above.

The notes on the accompanying pages form a part of these financial statements.

UK Community Foundations

Statement of financial activities - charity only (incorporating an income and expenditure account)

For the Year Ended 31 March 2013

	Notes	Restricted £'000	Unrestricted £'000	2013 Total £'000	2012 Total £'000
Incoming resources					
Incoming resources from charitable activities					
Donations and grants	3a	7,188	204	7,392	11,029
Subscriptions		-	162	162	153
Other Income	3b	-	138	138	125
Investment Income and Interest	4	-	-	-	1
Total incoming resources		<u>7,188</u>	<u>504</u>	<u>7,692</u>	<u>11,308</u>
Resources expended					
Charitable activities	6				
Projects and Programmes		558	-	558	598
ICT Services		-	197	197	147
Member Services		-	328	328	526
Grant payments	5	7,642	-	7,642	8,774
Governance	7	-	10	10	20
Total resources expended		<u>8,200</u>	<u>535</u>	<u>8,735</u>	<u>10,065</u>
Net (expenditure) / income for the year	9	(1,012)	(31)	(1,043)	1,243
Unrealised gains on Investments	11	-	8	8	-
Net movement in funds		<u>(1,012)</u>	<u>(23)</u>	<u>(1,035)</u>	<u>1,243</u>
Funds at 1 April 2012		<u>1,651</u>	<u>207</u>	<u>1,858</u>	<u>615</u>
Funds at 31 March 2013		<u><u>639</u></u>	<u><u>184</u></u>	<u><u>823</u></u>	<u><u>1,858</u></u>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above.

The notes on the accompanying pages form a part of these financial statements.

UK Community Foundations

Balance sheet

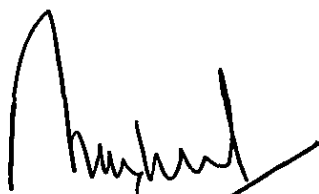
As at 31 March 2013

	Note	The group		The charity	
		2013	2012	2013	2012
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	10	29	52	29	52
Fixed asset investments	11	51	1,941	51	43
		<u>80</u>	<u>1,993</u>	<u>80</u>	<u>95</u>
Current assets					
Debtors & prepayments	12	93	610	107	779
Cash at bank and in hand		<u>1,513</u>	<u>7,075</u>	<u>1,132</u>	<u>2,159</u>
		<u>1,606</u>	<u>7,685</u>	<u>1,239</u>	<u>2,938</u>
Current liabilities amounts falling due within one year	13	<u>496</u>	<u>1,174</u>	<u>496</u>	<u>1,174</u>
Net current assets		<u>1,110</u>	<u>6,511</u>	<u>743</u>	<u>1,764</u>
Net assets	18	<u>1,190</u>	<u>8,503</u>	<u>823</u>	<u>1,858</u>
Funds					
Restricted funds	16	1,006	8,296	639	1,651
Unrestricted funds	17	<u>184</u>	<u>207</u>	<u>184</u>	<u>207</u>
Total funds		<u>1,190</u>	<u>8,503</u>	<u>823</u>	<u>1,858</u>

The notes on the accompanying pages form a part of these financial statements

The financial statements are prepared in accordance with part 15 of the Companies Act 2006 in regards to small companies

Approved by the board and authorised for distribution and signed on behalf of the trustees by



David Sheepshanks CBE DL - Chair

COMPANY NUMBER 2651777

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

1. Accounting policies

- a) The financial statements have been prepared under the historical cost convention (with the exception of investments which are stated at valuation) and in accordance with applicable accounting standards and the Companies Act 2006. They follow the recommendations in the Statement of Recommended Practice, Accounting and Reporting by Charities (issued in 2005). These financial statements consolidate the results of the charitable company and its wholly-controlled subsidiary Fair Share Trust. A separate statement of financial activities for the charitable company is also included.
- b) Voluntary income received by way of subscriptions, donations and gifts to the charity is included in full in the statement of financial activities when receivable. Intangible income is recognised as an incoming resource where the provider of the service has incurred a financial cost. Volunteer time is not included in the financial statements.
- c) Grants are recognised in full in the statement of financial activities in the year in which they are receivable. Grants made are recognised at the time they are paid, once conditions have been satisfied.
- d) Income generated from the supply of goods or services is included in the statement of financial activities in the period in which the supply is made.
- e) Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund. Investment income on restricted funds is treated either as restricted or unrestricted depending on the wishes of the original donor.
- f) Unrestricted funds are donations and other income received or generated for charitable purposes.
- g) Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT which cannot be recovered.
- h) Governance costs of the charity include the costs of running the charity such as the costs of meetings, audit and statutory compliance.
- i) Depreciation is provided on all tangible assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, which is 3 years. Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.
- j) The charitable company makes payments to defined contribution pension schemes on behalf of employees. The contributions are treated as an expense in the year in which they are payable. The charity has no other obligation under these schemes.
- k) Investments held as fixed assets are revalued at mid-market value at the balance sheet date and the gain or loss taken to the Statement of Financial Activities.

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

- l) Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the Statement of Financial Activities on a straight line basis over the lease duration
- m) Costs are allocated directly to activities on the basis of staff time spent on each. We therefore do not have a cost category called "support costs"

2. Taxation

The charity is exempt from corporation tax under section 505 of the Income and Corporation Taxes Act 1988 as all its income is applied to charitable purposes

3a. Donations and grants

	Restricted	Unrestricted	2013 Total	2012 Total
	£'000	£'000	£'000	£'000
C S Mott Foundation	-	31	31	33
Office for Civil Society	125	173	298	830
Evening Standard Dispossessed	713	-	713	3,188
Comic Relief	5,532	-	5,532	4,876
Royal London	-	-	-	236
Esmee Fairbairn Foundation	7	-	7	751
Reclaim our Streets	17	-	17	24
Local Giving Support	-	-	-	155
Surviving Winter	148	-	148	278
Gulbenkian	18	-	18	15
Social Action Fund	396	-	396	563
Community First	100	-	100	80
PHT	132	-	132	-
	<u>7,188</u>	<u>204</u>	<u>7,392</u>	<u>11,029</u>

3b. Other income

	Restricted	Unrestricted	2013 Total	2012 Total
	£'000	£'000	£'000	£'000
ICT Subscriptions	-	93	93	93
Other	-	45	45	32
	<u>-</u>	<u>138</u>	<u>138</u>	<u>125</u>

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

4. Investment income

Group	Restricted £'000	Unrestricted £'000	2013 Total £'000	2012 Total £'000
Fixed Income investments	43	-	43	174
Bank interest	2	-	2	15
	<u>45</u>	<u>-</u>	<u>45</u>	<u>189</u>

5. Grants payable

	2013 Total £'000	2012 Total £'000
Fair Share Trust	5,210	5,975
Comic Relief	5,656	4,549
Royal London	105	68
Time to Give	228	66
Secret Millionaire	18	603
Surviving Winter	137	269
Social Action Fund	592	241
PHT	129	-
Gulbenkian	33	-
Reclaim our Streets	40	-
OCS - Philanthropy Impact	110	-
Evening Standard Dispossessed Fund	594	2,978
	<u>12,852</u>	<u>14,749</u>

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

6 Charitable activities

	Grants (note 5) £'000	Staff costs and consultancy £'000	Office and running costs £'000	Profile & publicity £'000	Local partners £'000	2013 Total £'000	2012 Total £'000
Fair Share	5,210	192	117	-	777	6,296	7,036
ICT project - charity	-	66	131	-	-	197	147
Member services - charity	-	133	190	5	-	328	526
<i>Other programmes</i>							
Evening Standard Diposessed Fund	594	-	-	-	209	803	3,283
Royal London	105	15	-	-	-	120	89
Time to Give	228	23	8	-	-	259	102
Local Giving Support- Secret Millionaire	18	-	9	-	-	27	609
Surviving Winter	137	-	23	-	-	160	272
Social Action Fund	592	22	-	-	-	614	248
OCS Philanthropy UK	110	3	65	-	-	178	100
Community First	-	72	1	-	14	87	80
MARS in the Community	-	-	-	-	-	-	1
PHT	129	-	-	-	-	129	-
Gulbenkian	33	-	-	-	-	33	-
Reclaim our Streets	40	-	-	-	-	40	-
Comic Relief	5,656	69	25	-	-	5,750	4,588
Total for Other Programmes	7,642	204	131	-	223	8,200	9,372
2013 Total	12,852	595	569	5	1,000	15,021	17,081

7 Governance

	Staff costs and consultancy	Office and running costs	Audit & advisory	2013 Total £'000	2012 Total £'000
Central costs - charity	-	-	10	10	20
Fair Share	-	21	6	27	26
2013 Total	-	21	16	37	46

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

8 Staff costs and numbers

	2013 £'000	2012 £'000
Salaries and wages	470	461
Social Security Costs	61	49
Pension contributions	14	30
	<u>534</u>	<u>540</u>
Other staff costs including recruitment	72	50
	<u>607</u>	<u>590</u>

	2013 No	2012 No
Number of employees earning between £60 000 and £70 000	<u>1</u>	<u>1</u>

Their total employer pension contributions for this employee was £7 944 (2012: £6 382)

The average number of employees was as follows

	2013 No	2012 No
Direct charitable expenditure	14	14
Governance	<u>1</u>	<u>1</u>
	<u>15</u>	<u>15</u>

9 Net Outgoing resources for the year

This is stated after charging

	2013 £'000	2012 £'000
Depreciation	82	26
Operating lease rentals	51	59
Auditors' remuneration		
▪ Current year	10	13
▪ In respect of the prior year	6	
▪ Non-audit services	<u>8</u>	<u>6</u>

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

10 Tangible fixed assets	Furniture & Office Equipment	I T (DIGITS 2)	Total
	£ 000	£'000	£ 000
The group and charity			
Cost			
At the start of the year	36	71	107
Additions in year	2		2
Disposals in year			
At the end of the year	38	71	109
Depreciation			
At the start of the year	28	24	52
Charge for the year	4	24	28
At the end of the year	32	48	80
Net book value			
At the end of the year	6	23	29
At the start of the year	5	47	52

11 Fixed asset investments

	The group		The charity	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
<i>Listed Investments and CAF funds</i>				
Market value at the start of the year	43	43	43	43
Net unrealised gain	8	-	8	-
Market value at the end of the year	51	43	51	43
Historic cost at the year end	42	42	42	42
<i>Investments comprise</i>				
CAF UK Equity Growth Units	51	43	51	43
Fixed income investments	-	1,898	-	-
	51	1,941	51	43

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

11 Fixed asset investments (continued)

Community Foundation Network has a subsidiary Fair Share Trust which is a separate registered charity established in 2003. CFN is the sole trustee of Fair Share Trust. The Fair Share Trust is charged with delivering £50M of funding into some of the most disadvantaged communities through a 10 year programme which seeks to build social capital and capacity. The successful delivery of the programme is a specific aim for CFN. The holding in Fair Share Trust is by common management. The accounts of Fair Share Trust can be obtained from the offices of CFN at Angel Gate.

The transactions between CFN and Fair Share Trust relate to the cost of managing and administering the activities of Fair Share Trust. The balance owing at the end of the year is shown in Note 12.

12 Debtors and prepayments

	The group		The charity	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Sundry debtors	-	5	-	5
Trade debtors	9	570	9	570
Beacon Fellowship Charitable Trust	84	18	84	18
Prepayments	-	17	-	17
Due from subsidiary undertaking	-	-	14	169
	<u>93</u>	<u>610</u>	<u>107</u>	<u>779</u>

13 Creditors: Amounts falling due within one year

	The group		The charity	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade creditors	405	1,140	405	1,140
Accruals	48	18	48	18
Social security and other taxes	43	16	43	16
	<u>496</u>	<u>1,174</u>	<u>496</u>	<u>1,174</u>

14 Trustee remuneration and expenses

25 members of the board (2012 - 13) received

	2013	2012
	£'000	£'000
Reimbursement of travel expenses	<u>8</u>	<u>9</u>

Most trustees are also either trustees or employees of our member organisations.

The Trustees of grant beneficiaries do not participate in the awarding of the grants to the organisations they represent or benefit.

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

15 Operating lease commitments

Annual commitments payable under operating leases are as follows

	Land & Buildings		Equipment	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Within 2 years	49	30		
Within 2 - 5 years	-	-	2	2

16 Restricted Funds

	At 1 April 2012	Incoming Resources	Outgoing Resources	At 31 March 2013
	£'000	£'000	£'000	£'000
Charity				
Evening Standard	162	713	803	72
Royal London	147	-	120	27
Time to Give	649	7	259	397
Reclaim our Streets	24	17	40	1
Local Giving support	46	-	27	19
Surviving Winter	6	148	160	(6)
Gutbenkan	15	18	33	-
Social Action Fund	315	396	614	97
OCS Philanthropy UK	-	125	178	(53)
Community First	-	100	87	13
PHT	-	132	129	3
Comic Relief	288	5 532	5 750	70
Total charity funds	1 652	7 188	8 200	639
Group				
Fair Share - Investment	6,644	45	6,323	367
	8,296	7,233	14,523	1,006

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

Purpose of restricted funds

Fair Share	The Fair Share Trust Fund ('Fair Share') was established with money from the New Opportunities Fund (now the Big Lottery Fund) to help some of the most deprived communities in the UK improve their quality of life
Evening Standard Dispossessed Fund	The ESDF was set up in June 2010 as a fundraising partnership across London between the Evening Standard and CFN and the 10 local funders who were delivering the Grassroots Grants programme. The aim was to raise endowed funding which would be matched by the programme. The funds are owned by the local funders. CFN simply co-ordinates the management of these funds on their behalf to enable a single point of contact for the newspaper. Local funders agreed that funds would be paid out twice a year in April and November for grant-making
Royal London	The Royal London Foundation awarded a grant to CFN in 2011 in order for us to make grants to community groups nominated by members of The Royal London Group
Time To Give	Esmée Fairbairn Foundation awarded a grant to CFN in 2011 to promote local philanthropy. CFN in turn has awarded grants to our members to enable them to create Fellowships of local philanthropists
Reclaim our Streets	The Reclaim our Streets Fund was set up by the Express Newspaper Group in 2011 in response to the riots in England. The purpose is to make grants to individuals, businesses and organisations affected by the riots
Local Giving Support	CFN has accepted some donations from individuals who have wanted to support LocalGiving.com. Most significantly have been contributions from people associated with the Channel 4 "Secret Millionaires" programme who have wanted to support matched challenges using LocalGiving.com
Surviving Winter	The Surviving Winter campaign was funded by donations from the public to raise money for pensioners affected by fuel poverty. Grants are made by our member organisations. The deficit at the year end was a timing issue relating to incoming donations
Guilbenkian	The Guilbenkian Foundation awarded a grant to CFN which will be used to fund the creation of the "Next Steps: Life Transitions and Retirement in the 21st Century Report" calling for a National Retirement Service. A project led by Lord Wei, supported by Calouste Gulbenkian Foundation and project managed by So&Co Ltd
Social Action Fund	Social Action Fund propose to use £530k of philanthropic match funding, the online fundraising platform Localgiving.com and the powerful incentive of the Match Fund challenge to mobilise over 20,000 people to engage in social action and leverage over £2million of cash and in kind support for local volunteer-involving organisations
OCS Philanthropy UK	The Office for Civil Society has invested in the development of Philanthropy to become the leading portal for information and research of philanthropic practice. The deficit of £53k on the OCS account arose because the project to transition Philanthropy UK into a new organisation (Philanthropy Impact) had a completion of January 2013 but the final financing tranche is not payable until 2013/14
Community First	Community First was set up in 2011 as an Endowment Match Challenge and is where the government give 50% match to endowed donations
Comic Relief	Comic Relief awarded grants to CFN in 2010-11 to manage the national programme across the United Kingdom on their behalf for 2011 and 2012

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

17 Unrestricted Funds

	At 1 April 2012	Incoming Resources £'000	Outgoing Resources £'000	Investment Gains & Losses and Transfers £'000	At 31 March 2013
	£'000	£'000	£'000	£'000	£'000
General unrestricted funds	207	504	535	8	184
Total funds	207	504	535	8	184

18 Analysis of group net assets between funds

	The Group			The charity		
	Restricted funds £'000	Unrestricted funds £'000	Total Group funds £'000	Restricted funds £'000	Unrestricted funds £'000	Total Charity funds £'000
Tangible fixed assets		29	29		29	29
Fixed asset investments	51	-	51		51	51
Net Current Assets	955	155	1,110	639	104	743
Net assets at 31 March 2013	1,006	184	1,190	639	184	823

19 Related party

In 2009 UKCF became the sole corporate member of the Beacon Fellowship Charitable Trust (BFCT). Two UKCF nominated trustees joined the board (Matthew Bowcock and Anne Boyd) of BFCT.

In February 2010 UKCF took a 50% (subsequently reduced to 20%) shareholding in LocalGiving.com. UKCF's shareholding in LocalGiving.com is 1 ordinary share of £1. UKCF has not yet paid for its shareholding and therefore owes £1. The following people who are trustees of UKCF sit on the board of directors for LocalGiving.com: Matthew Bowcock and Marcelle Speller. The CEO of UKCF, Stephen Hammersley, also sits on the board of LocalGiving.com.

UKCF does not need to account for its representative share of the losses generated by LocalGiving.com as the board of LocalGiving.com have confirmed that UKCF has no liability to either provide additional capital or support the losses at any point in time.

The Charity has taken advantage of the exemption in FRS 8 Related Party Disclosures that transactions with wholly owned subsidiaries do not need to be disclosed.

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

20 Contingent liability

1 UK Community Foundations participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

2 Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement either within the Plan or by the purchase of an annuity.

3 The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

4 The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

5 The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities known as Technical Provisions.

6 If the actuarial valuation reveals a deficit the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers' investment returns or a combination of these.

7 The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

8 UK Community Foundations paid contributions at the rate of 0% during the accounting period. Members paid contributions at the rate of 0% during the accounting period.

9 As at the balance sheet date there were 2 active members of the Plan employed by UK Community Foundations. UK Community Foundations continues to offer membership of the Plan to its employees.

10 It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the assets are co-mingled for investment purposes and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

11 The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million equivalent to a funding level of 84%.

12 The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% pa
Rate of return pre retirement	4.9
Rate of return post retirement	
Active/Deferred	4.2
Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Price Index (RPI)	2.9
Inflation: Consumer Price Index (CPI)	2.4

13 In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

14 The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update therefore revealed a shortfall of assets compared with the value of liabilities of £194 million equivalent to a funding level of 80%.

15 If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

16 The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012 as is required by legislation.

17 Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

18 The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

UK Community Foundations

Consolidated notes to the financial statements

For the year ended 31 March 2013

20 Contingent liability continued

19 The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

20 When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

21 Owing to this situation, we have included 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

22 If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

Conditional paragraph – potential employer debt is treated as a contingent liability

23 UK Community Foundations has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2012. As of this date, the estimated employer debt for UK Community Foundations was £118,701.91.