

Registered Charity No. 1063906
Company No. 03416658

THE NORTHERN ROCK FOUNDATION
TRUSTEES' ANNUAL REPORT AND ACCOUNTS
For the year ended 31 December 2012

WEDNESDAY



A26 *A2ADCGG8* #178
12/06/2013
COMPANIES HOUSE

Trustees

Alastair Balls (Chair)
Sir David Chapman
David Faulkner
Dame Jackie Fisher
Dr Anthony Henfrey
Frank Nicholson
Lorna Moran
Christopher Jobe
Dr Barbara O'Toole
Julie Shipley

The Trustees have the powers and obligations of Directors as set out in the Companies Act 2006

Foundation Directors

Chief Executive Penelope Wilkinson

Director of Finance and Resources Ian Rutter

Director of Strategic Operations Carol Candler

Secretary Ian Rutter

Registered Office and Correspondence address The Old Chapel, Woodbine Road, Gosforth, Newcastle upon Tyne NE3 1DD

Registered Charity Charity Commissioners' Reference Number 1063906

Company Limited By Guarantee Registered Number 03416658

Telephone 0191 284 8412
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Email generaloffice@nr-foundation.org.uk
Web site www.nr-foundation.org.uk

Independent Auditors UNW LLP, Citygate, St James' Boulevard, Newcastle upon Tyne NE1 4JE

Bankers Lloyds TSB Bank plc, Commercial, 5th Floor, 102 Grey Street, Newcastle upon Tyne NE99 1SL
Virgin Money plc, Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL

Solicitors Ward Hadaway Solicitors, Sandgate House, 102 Quayside, Newcastle upon Tyne NE1 3DX

Investment Managers Aberdeen Asset Managers Limited, 10 Queen's Terrace, Aberdeen, Scotland, AB10 1YG

Committee Members

Finance, Audit, Investment and Risk Committee

Dr Anthony Henfrey (Chair)

Christopher Jobe

David Faulkner

Frank Nicholson

Dr Barbara O'Toole

Ian Rutter (Secretary)

Staff Matters Committee

Lorna Moran (Chair)

Dame Jackie Fisher

Dr Barbara O'Toole

Northern Rock Foundation Trustees' report for the year ended 31 December 2012

The Trustees present their report and the audited accounts for the year ended 31 December 2012.

The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005 in preparing the Annual Report and financial statements of the charity

Governance and management

The Foundation is a charitable company limited by guarantee and was set up on 4 August 1997. It is governed by a memorandum and articles of association revised and adopted at the Foundation's AGM on 12 May 2008. The governance, terms of appointment and appointment to the Trustee Board of the Foundation are the responsibility of the Trustees. The Chairman has established an appraisal system for Trustees. As a consequence, the Trustees believe that they have available to them all the necessary skills to manage the Foundation's affairs.

The Trustees meet to discuss the Foundation's business and to make main grants (those over £20,000) five times each year. There are two committees dealing with finance, audit, investment and risk, and staff matters.

Responsibility for making grants up to and including £20,000 each is delegated to the Foundation's Chief Executive and any one Trustee. All such grant decisions are reported to the Board at the meeting following the decision. The Foundation's Chief Executive and/or Directors have delegated authority to reject ineligible applications subject to reporting all such decisions to the subsequent Board Meeting. Awards for under £2,500 are given at the discretion of the Programme Managers from a budget set by the Trustees for that purpose; they form part of the organisation's attempt to improve the knowledge and capacity of the sector. These decisions are ratified by the full Board at subsequent meetings. Day-to-day management of administration of grants and the processing and assessment of applications prior to Trustees' consideration is delegated to the Foundation's Chief Executive and staff team.

Induction of new Trustees takes the form of 1, issue of an information pack; 2, a meeting with senior Foundation staff, and 3, an invitation to accompany members of the grants team on visits either before or after a grant has been made. The information pack contains recent Trustees' papers for Board meetings, risk register, annual reviews, accounts (the last two items for at least the previous year, others are available if desired) and current grant-making guidelines. Relevant policy papers or discussion papers relating to current or proposed grant-giving programmes are supplied as needed, as are relevant Charity Commission publications describing the duties and responsibilities of Trustees. Trustees are routinely asked if they have any training or information needs. The Trustees of the Foundation at 31 December 2012, all of whom have been Trustees for the whole of the year ended on that date unless otherwise stated, are listed on page 2 of this report.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' report and the 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 that give a true and fair view of the state of affairs of the charity and of the incoming resources and

application of resources, including the net income or expenditure, of the charity for the year. In preparing those financial statements the Trustees are required to:

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping 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.

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

Objectives and activities

The Foundation's Objective, according to its governing document, is "to pay or apply the income or (if and when the Trustees, as hereinafter defined, shall see fit) the whole or any part of the capital of the Foundation to any charitable institutions, bodies or funds or for any charitable purposes (according to the laws of England and Wales from time to time) principally in, but not limited to, the United Kingdom."

Normally, and with only rare exceptions, the Foundation's Trustees have elected to confine their activities to the north of the UK and more specifically the North East of England and Cumbria. For operational purposes, the primary objective of the Northern Rock Foundation is to provide public benefit by tackling disadvantage and improving the quality of life in Cumbria, Northumberland, Tyne and Wear, County Durham and the Tees Valley.

The Foundation pursues this primary objective through investing in non-profit-distributing organisations. It also directly provides or commissions services, conducts research by commissioning others and provides loans on a variety of terms.

The Trustees confirm that they have taken due regard of the Charity Commission's general guidance on public benefit.

Grant-making policy

As a large and engaged grant-maker with a wide range of interests, the Foundation has had numerous grant-making programmes and special initiatives, a set of policies for delivering them and detailed guidance for applicants. Currently the Foundation operates five main grant programmes: Managing Money, Having a Home, Enabling Independence and Choice, Safety and Justice for Victims of Abuse and Changing Lives. Funding for training and development as well as for research and commissions, also continued. The Foundation also operates the Fresh Ideas Fund, which provides funding for early stage development of new business ideas to help charities to grow in size, increase their impact and improve their long term sustainability. The programmes

are described on the Foundation's website www.nr-foundation.org.uk which was updated during 2011

The Foundation works with grant-holders and other partners to help them to build their ability to be able to capture and demonstrate their value and impact, and to learn from the work they are doing to continually improve the projects they are delivering. We collect and use evaluation evidence on the achievements of the projects, supported by our grants and wider forms of assistance, to help inform our grant making and other support. This year, through our Third Sector Trends Research, we refined the impact framework against which we assess our impact on the organisations we support and consequently, on the individuals and communities our programmes are designed to help. We used this updated framework in an interim evaluation we commissioned this year to assess our progress against our 5 year strategy. We also completed work with Bristol University to find ways to use our research and evidence to create greater impact on policy and practice in the priorities we support. Through this work we continue to be confident that through our grant making and other support we have positively affected the lives of individuals and communities in our operating area.

Foundation staff continue to monitor and work with grantees to support development and delivery. The updated impact framework will help us work with organisations to identify the support and capacity building they need to become more resilient and deliver more effectively. However, if organisations are not succeeding in delivering against their grants, staff provide support and take sensible and proportionate action, including helping the grant holder to identify alternative approaches. Where a project has not delivered as anticipated, staff record and share information to help ensure we, and others, learn from the experience and that unsuccessful approaches are not repeated.

In 2012 the Foundation updated the information strategy to continue to improve how we share what we do and what we have learned from our work. These refinements are based on our Knowledge Transfer Partnership work with Bristol University. As well as continuing to update our website and introduce new e-newsletters, we published several new pieces of research including a review of the effectiveness of credit unions in the region, research into services for parents with learning disabilities and two reports from the second phase of the Third Sector Trends Study. In addition to publishing details of grants made in 2012 on our website, we have included new examples of learning from 'star projects' to illustrate the impact projects are having on individuals and communities. We also produced and published a 'toolkit' to help other organisations in the sector improve their use of research and evidence and understand how they can have a greater impact on policy and practice. We also published our annual review on-line as well as in hard copy and will do so again this year.

Achievements and performance

The Foundation's primary objective is very wide. The overarching goals are to address deeply entrenched social and economic problems that will not be 'solved' easily or quickly. The Foundation is also one amongst many other funders - public, private and voluntary sector - pursuing similar goals.

To help us to work more effectively towards addressing our overarching goals, we have updated the strategy we produced in 2011 as well as the mechanisms we use for capturing and reporting our progress to Trustees. The strategy sets out clear goals for our programmes, linked to our published aims and criteria. The summary below highlights the outcomes of key areas of support in 2012. The information is an extract from the detailed progress report presented to the Trustees' meeting in December.

Programme/activity	Summary of progress/achievements in 2012
Changing Lives	<ul style="list-style-type: none"> • All priority groups within the programme received support, 25 projects were funded • Partnership projects and networking between funded projects, such as refugee and asylum seeker groups, were supported • Links between statutory agencies and voluntary organisations working in the criminal justice sector were developed
Enabling Independence and Choice	<ul style="list-style-type: none"> • All priority groups within the programme received support; 28 projects were funded • Learning from <i>Dementia – A North East Perspective</i> report and findings from Parents with Learning Disabilities research were disseminated by the Foundation to address the gap in knowledge and support around these issues • Support for local Mind groups to develop income generation and new business models
Safety and Justice for Victims of Abuse	<ul style="list-style-type: none"> • All priority groups within the programme received support, 20 projects were funded • A third report on sex markets, in Cumbria, was completed • Work with national DV agency AVA and local statutory partnerships develop new ways to work with children affected by domestic violence has resulted in two new authority wide services
Managing Money	<ul style="list-style-type: none"> • Five projects were funded, including work to support the growth sustainability of credit unions in Barrow and County Durham • Research on the development of credit unions across the North East and Cumbria by Liverpool John Moores University completed and disseminated. • Partnership working between credit unions was supported through funding for Northern Money.
Fresh Ideas Fund	<ul style="list-style-type: none"> • Ten projects were funded
Having a Home	<ul style="list-style-type: none"> • Programme priorities covering prevention of homelessness, support for accommodation and training and employment projects were supported, with an emphasis on early intervention, 13 projects were funded • Support for the Regional Youth Homelessness Network has helped it become effective in developing a collective response to the growing problem of youth homelessness in the region.
Policy and Research	<ul style="list-style-type: none"> • Two reports from the second phase of the Third Sector Trends Study were published with work continuing into 2013. • The Foundation continued to contribute to key national fora on social impact measurement and launched a toolkit to help funders increase the impact of their research and evidence on policy and practice.
Training and Development	<ul style="list-style-type: none"> • One new project and 35 learning and support grants were funded • The range of tailored on-line resources that will provide cost-effective and time-saving ways of helping organisations access management training was expanded

	<ul style="list-style-type: none"> • A programme of training and increased support for organisations to help them improve their ability to demonstrate their value and impact, including 'soft outcomes' training and support to choose the most appropriate tools, was delivered again this year.
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Plans for the future

During 2012 the Foundation carried out an interim review of its five year strategy 2011-2015 and trustees intend to close the current grant programmes at the end of 2014, as part of the completion of this strategy. From January 2013 Trustees have also decided only to accept bids for funding by invitation for the next two years. The Foundation has adequate funds in reserves to deliver its current plans to 2015. The Foundation's future plans will be reviewed in due course in the light of its remaining reserves and the outcome of on-going discussions with Virgin Money plc. on future support and funding for the Foundation.

Grants approved during the year

The main grant programmes for 2012 were Managing Money, Having a Home; Changing Lives; Safety and Justice for Victims of Abuse, Enabling Independence and Choice and the Fresh Ideas Fund. In addition, awards were made from the Training and Development budgets. A full listing of the 2012 approved grants can be found on the Foundation's website.

2012 Approved Grants:

Programme	Amount awarded £'000	% of amount awarded	% Success rate of eligible applications
Enabling Independence and Choice	1,773	21	76
Changing Lives	1,887	22	61
Safety and Justice for Victims of Abuse	1,064	13	83
Having a Home	1,230	15	76
Managing Money	1,879	22	64
Grants awarded under main programmes	7,833	93	-
Fresh Ideas	400	5	18
Training and Development grants	122	1	100
Policy grants	1	-	100
Total awarded by Trustees	8,356	99	-
Other awards	117	1	100
Grand Total	8,473	100	-

Eligibility

In 2012, the Foundation received 326 new requests for grants and there were 57 pending applications at the end of 2011. Of these 383 requests, 95 were ineligible for funding or were withdrawn by applicants. Of the eligible requests, 174 were successful, 102 were rejected by Trustees and 12 were pending at the end of the year.

Geographical distribution of grants awarded

Geographical area	Number of grants	% Success rate of eligible applications	Amount approved £'000	Amount approved %
Cumbria	22	69	1,055	12
Durham	19	68	698	8
North East	32	49	2,665	32
North East & Cumbria	4	100	235	3
Northumberland	13	52	334	4
Tees Valley	29	69	1,462	17
Tyne and Wear	55	69	2,024	24
Total	174	63	8,473	100

Range of grant awards

Of the 174 grants awarded in 2012, 72% were for amounts below £60,000 and 9% were for amounts of £100,000 or more

Range of grant awards	Number of awards	Average grant £'000	Median grant £'000	Total grants £'000
£100,000 +	16	215	120	3442
£60,000 - £99,999	32	77	78	2454
£30,000 - £59,999	38	45	45	1711
£10,000 - £29,999	42	17	17	721
£1 - £9,999	46	3	2	145
Total	174	49	27	8473

Work commissioned by the Foundation

In 2012, the Foundation continued with its work to augment and enhance the effectiveness of its grant-making. Work was commissioned both to investigate and evaluate the effectiveness of the Foundation's grants and to identify future needs to inform grant programme priorities. The total value of work commissioned in 2012 is £157k, which represents 2% of the amount authorised by Trustees overall. Further details of the work commissioned in 2012 can be found on the Foundation's website and in the Annual Review for 2012.

The number and value of awards is presented in the table below

Fund	Number of commissions	Total commissions £'000	% of amount awarded
Having a Home	-	-	-
Enabling Independence and Choice	-	-	-
Managing Money	-	-	-
Policy	1	10	6
Safety and Justice for Victims of Abuse	3	58	37
Training and Development Initiatives	7	89	57
Total	11	157	100

Social investment and loans to the voluntary sector

The Trustees have established a loan scheme that runs in tandem with their grant programmes. The intention is to achieve a combination of social objectives and financial returns to the Foundation as an investor. The majority of the capital is returnable and the investment is an important contributor to the regeneration of the area to which it relates. Interest-free or low-interest loans are a valuable way of helping enterprises which need time to settle and which can, ultimately, be expected largely to support themselves. The scheme was established to assist beneficiaries whose projects fell within the Foundation's overall operating objective, but where the discipline of having to create surplus for loan repayments could be seen as an achievable goal, which would ultimately lead the organisation towards greater self-sufficiency.

The loan scheme is administered jointly by the Foundation's staff and Charity Bank. Loans are made after careful assessment and with the help of Charity Bank which provides financial and business guidance. However, decisions are taken, on advice, by the Trustees. One new loan was made in 2012.

Risk statement

The Foundation has adequate reserves to meet its current plans to 2015, and estimates it will have funds of circa £10m remaining at that point. The lack of future income is the greatest risk to the Foundation in its current form (the Foundation has received no new income, through its funding agreement with its corporate donor, since 2010). The Foundation intends to close its current grant programmes in 2014 and review future options in the light of its financial position at that point.

The Trustees have considered and identified other risks to which the Foundation is subject and have set in place measures to mitigate them.

Internal controls have been established to ensure effective management and monitoring of the charity's operation. Trustees are informed about the risks inherent in their grant-making for the purposes of assessing and managing risk.

Trustees review the risk management strategy at least annually, during 2012, the Trustees monitored the strategy at regular intervals and updated it as necessary.

Investment policy and returns

The Foundation's Investment Committee (now Finance, Audit, Investment and Risk Committee) appointed Aberdeen Asset Managers Limited to be their fund manager in 2007. This appointment was reaffirmed during 2012.

Aberdeen Asset Managers Limited invests the Foundation's funds in Common Investment Funds with a mix of equity, fixed interest and cash investments in the portfolio to deliver a real rate of return of 3.5% per annum (measured against the Retail Prices Index) over a rolling five-year period.

Performance in 2012 has been monitored by the Finance, Audit, Investment and Risk Committee which considers it to have been satisfactory, under the prevailing circumstances.

Asset class	Benchmark %	Range %	Actual %
UK Equities	60	45-75	37
Global Equities (ex UK)	10	0-20	9
UK Fixed Interest and Index Linked	30	15-45	47
Cash	-	0-10	7
Total	100		100

Reserves policy

The level of reserves has always been set so as to absorb any shock to the financial strength of the Foundation and to ensure the continuity of its operations. This was to provide sufficient time for Trustees to take appropriate action to reflect any significant change in the level of funding. In 2011, in the light of the change to the Foundation's funding agreement and the anticipated reduction in income resulting from this, Trustees agreed to draw on reserves to fund the delivery of the Foundation's work.

Control systems exist to ensure the level of reserves is monitored at least monthly. The current intention is to manage funds so that the Trustees may, with confidence, continue grant-making for at least a further two to three years, taking into account only known income and reserves.

Closing reserves as at 31 December 2012 were £29,003,000 (2011 £35,992,000)

Liquidity policy

Liquidity management within the Foundation involves the day-to-day monitoring of current and future cash flows to ensure that all cash flow demands can be met.

Important factors in assuring liquidity are accurate record keeping and timing of liability demands, competitive market rates and highly marketable assets that can be liquidated quickly to gain access to the Foundation's funds if required. Control systems exist to ensure that a set level of liquidity is maintained and these are monitored at least monthly.

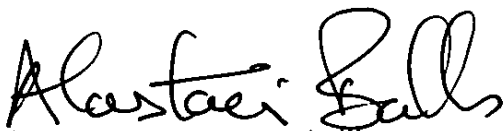
Financial report

The Foundation received no income in 2012 through the funding agreement it has with Virgin Money to provide 1% of pre-tax profits of the original Northern Rock part of the business that was acquired by Virgin Money.

During the year, the Trustees allocated £8,472,633 to beneficiaries of their grant programmes for revenue grants which were for a term of between one and four years.

The Trustees incurred expenditure of £879,000, being £106,000 (2011 £101,000) in governance costs and £773,000 (2011 £754,000) in costs relating to grant awards and policy and development work.

On behalf of the board of Trustees



Alastair Balls CB
Chairman – Board of Trustees

Date

21/5/2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NORTHERN ROCK FOUNDATION

We have audited the financial statements of The Northern Rock Foundation for the year ended 31 December 2012 which comprise the statement of financial activities, the balance sheet, the cash flow statement 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 charity's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also the directors of the 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. We have been appointed as auditor under the Companies Act 2006 and report in accordance with that Act. 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 financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charity's affairs as at 31 December 2012 and of its incoming resources and application of resources, including 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.

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

- adequate accounting records have not been kept in respect of the charity, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements do not accord with the accounting records and returns, or
- certain disclosures of trustee's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Wilson BA FCA (Senior statutory auditor)
for and on behalf of UNW LLP, Statutory auditor

21 May 2013

Northern Rock Foundation
Statement of Financial Activities
(incorporating an Income and Expenditure Account)
for the year ended 31 December 2012

		Total funds 2012 £'000	Total funds 2011 £'000
Incoming Resources	Note		
Covenant	2	-	-
<i>Incoming resources from generated funds</i>			
Investment income	3	452	325
<i>Other incoming resources</i>			
Voluntary income		41	14
Total Incoming Resources		493	339
 Resources Expended			
<i>Cost of generating funds</i>			
Investment management costs	4	90	86
 <i>Charitable activities</i>	5	9,456	8,190
 <i>Governance costs</i>	6	106	101
Total Resources Expended		9,652	8,377
Net Income/(Expenditure)		(9,159)	(8,038)
 Other Recognised Gains and Losses			
Net realised/unrealised gain on Investments	11	2,170	575
Net Movement in Funds		(6,989)	(7,463)
 Balances brought forward 1 January		35,992	43,455
Balances carried forward 31 December		29,003	35,992

All of the above results are derived from continuing activities

There were no gains or losses recognised in the current year that were not reflected in the increase in fund balances carried forward, therefore no separate statement of total recognised gains and losses has been prepared

The deficit for the year for Companies Act purposes comprises the net incoming resources for the year plus realised gains on investments and was £1,556,259 (2011 £7,231,000 deficit)

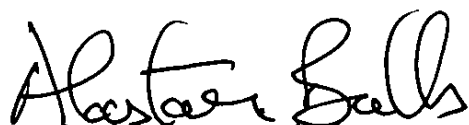
The Trustees consider that all of the Foundation's funds are unrestricted.

Northern Rock Foundation
Balance Sheet at 31 December 2012
Company Number - 03416658

		2012	2011
	Note	£'000	£'000
Fixed Assets			
Tangible fixed assets	9	830	866
Investments under fund management	10	27,845	33,495
Programme-related investments	11	1,158	1,284
		<u>29,833</u>	<u>35,645</u>
Current Assets			
Debtors	12	117	94
Short-term deposits		2,002	10,590
Cash at bank and in hand	13	6,838	910
		<u>8,957</u>	<u>11,594</u>
Creditors: amounts falling due within one year	14	(7,432)	(8,852)
Net Current Assets		<u>1,525</u>	<u>2,742</u>
Total Assets less Current Liabilities		<u>31,358</u>	<u>38,387</u>
Creditors amounts falling due after more than one year			
Grants authorised and not yet paid	15	(2,355)	(2,395)
Net Assets		<u>29,003</u>	<u>35,992</u>
Unrestricted Funds			
General Reserve		22,500	31,569
Revaluation Reserve		6,503	4,423
Income Funds	16	<u>29,003</u>	<u>35,992</u>

The notes on pages 17 to 25 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Trustees on 21 May 2013 and signed on its behalf by



Alastair Balls



Christopher Jobe

Northern Rock Foundation
Cash Flow Statement for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Net cash (outflow)/inflow from operating activities	17	(11,057)	(12,399)
Returns on investment and servicing of finance			
Dividends on investment income		323	155
Interest on cash and short-term deposits		109	150
Interest on loans		20	20
		<u>452</u>	<u>325</u>
Capital expenditure and financial investments			
Purchase of tangible fixed assets		-	(11)
Sales of tangible fixed assets		-	-
Decrease in loans		126	1,240
Purchase of investments		(12,846)	(5,502)
Sale of investments		<u>19,466</u>	<u>7,056</u>
Net cash inflow/(outflow) from capital expenditure and financial investment		6,746	2,783
Management of liquid resources			
Decrease/(Increase) in short-term deposits		8,588	11,701
Decrease/(Increase) in managed cash funds		<u>1,200</u>	<u>(1,740)</u>
Increase/(Decrease) in cash		<u>5,928</u>	<u>671</u>

Northern Rock Foundation
Notes to the Financial Statements for the year ended 31 December 2012

1. Accounting policies

a) Basis of Preparation

The financial statements have been prepared under the historical cost convention, with the exception of quoted investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, the Companies Act 2006 and applicable Accounting Standards.

b) Company status

Northern Rock Foundation (the Foundation) was established on 4 August 1997 as a company limited by guarantee. The liability of the members is limited by the Memorandum of Association to £1 each. The number of Trustees (including the Chairman) who were also members at 31 December 2012 was 10 and they are named on page 2.

c) Fund accounting

All funds are unrestricted and are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity.

d) Incoming resources

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income and the amount can be quantified accurately.

e) Investment Income and Interest receivable

Dividends are included when receivable. Interest receivable on fixed interest securities and bank deposits is included on an accruals basis. Associated tax credits are accrued as income tax recoverable.

f) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Costs are included gross of irrecoverable VAT. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of the resources.

g) Grant

Grants authorised by the Trustees are provided for in the year of authorisation, irrespective of when paid.

h) Overhead and support costs

Overhead and support costs include all costs incurred in the pursuance of the Foundation's charitable activities, with the exception of those allocated to the governance of the charity.

i) Governance costs

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. They include costs related to statutory audit and legal fees together with an apportionment of overhead costs, allocated on a time basis.

j) Investments

Investments under fund management are stated at market value at the balance sheet date. The SOFA includes net gains and losses arising on revaluations and disposals throughout the year.

Other investments include social investments in the nature of interest-free loans and other similar amounts to charitable organisations, and are recorded at cost less any provisions to reflect the non-recoverability of such amounts. The interest foregone on interest-free loans and other similar amounts is not treated as a donation to the recipient due to inherent difficulties in determining a valuation of the donation.

k) Taxation

As a registered charity the Foundation is not liable to UK Income Tax, Corporation Tax and Capital Gains Tax as long as the income it receives is applied for charitable purposes. There is therefore no tax charge in the accounts. It is unable to recover input value added tax on goods and services.

l) Pension costs

Unless they opt out, seconded employees participate in the Virgin Money (2011) Pension Scheme which was established from 1 January 2011 to provide retirement benefits for staff. The assets of the Scheme are held in trustee-administered personal accounts which are invested separately from the assets of Virgin Money plc.

Up to 1 January 2011, staff who joined a previous scheme before 1 July 1999 participated in a funded, contracted-out, defined benefit section of the previous scheme unless they opted out. Other staff, including those employed at 1 July 1999, but not members of the defined benefit section of the previous scheme at that date, together with staff employed from 1 July 1999, participated in the contracted-in defined contribution section of the previous scheme unless they opted out.

The charity meets the cost of the employer contributions while the staff are on secondment at the charity. However, as confirmed, the charity is not a participating employer and is therefore not responsible for any of the past liabilities or any further liability which accrues in the defined benefit section of the scheme, while the staff are on secondment. Accordingly contributions, for both the defined benefit section and the defined contribution section, are charged to the statement of financial activities as they become payable.

For staff employed by the charity, defined employer pension contributions are paid into the individual pension plans of employees. Contributions are charged to the statement of financial activities as they become payable.

m) Tangible fixed assets

The cost of fixed assets is their purchase price, together with any incidental costs of acquisition. The minimum value for capitalisation is £500. Depreciation is charged so as to write off the cost over the estimated life of the asset on a straight line basis and the principal rates are as follows

Land and buildings	50 years
Computers and equipment	5 years
Fixtures and fittings	10 years

Tangible fixed assets are reviewed for impairment at the end of each reporting period

2. Deed of Covenant

	2012 £'000	2011 £'000
Covenant receivable	-	-

The funding agreement with Virgin Money plc is to provide 1% of pre-tax profits to the Foundation, this has been renewed by Virgin Money until December 2013

3. Investment Income

	2012 £'000	2011 £'000
Interest receivable on call accounts	40	43
Interest receivable on fixed-term deposits	69	107
Loan interest	20	20
Dividends receivable	323	155
	<u>452</u>	<u>325</u>

4. Investment management fees

	2012 £'000	2011 £'000
	<u>90</u>	<u>86</u>

Aberdeen Asset Managers Limited is the appointed fund manager for the Foundation. Fees are calculated quarterly in arrears, based on the market value of the portfolio on the last business day of the quarter. The rebate between the charge intrinsic within the common investment funds and that payable by the Foundation is automatically reinvested into the portfolio in line with the investment guidelines.

5. Charitable activities

Expenditure on charitable activities consists of grants payable together with the support costs incurred in making those awards.

	2012 £'000	2011 £'000
a) Grants payable	8,683	7,436
b) Support costs	773	754
Total Charitable Expenditure	9,456	8,190

a) Grants payable

	2012 £'000	2011 £'000
Grants authorised	8,473	7,441
Commissions authorised	157	290
Grants withdrawn or returned in current year	-	-
	8,630	7,731
Prior year grants returned	(34)	(398)
	8,596	7,333
Staff Matched Giving Scheme	87	103
Additional grants	-	-
	8,683	7,436

Details of grants payable across the different grant programmes is analysed on page 8 and a full listing of all grants awarded in 2012 can be seen in both the Annual Review and on the Foundation's website.

The Staff Matched Giving Scheme relates to employees of Virgin Money plc Who were previously employees of Northern Rock plc.

b) Support costs

	2012 £'000	2011 £'000
Direct costs	111	98
Allocated costs.		
- Salaries	565	561
- Other allocated costs	97	95
	773	754

Support costs comprise costs incurred directly in support of expenditure on the objects of the charity and include all costs relating to grant assessments, post-grant costs such as monitoring of grants and management and administration costs. A portion of support costs has been allocated to governance on the basis of staff time spent on governance issues.

6. Governance

	2012 £'000	2011 £'000
Legal and professional	22	19
Auditors' remuneration		
- Audit services	16	16
- Non-audit services	-	-
Costs of Trustees' meetings	3	2
Allocated costs		
- Salaries	58	58
- Other allocated costs	7	6
	<u>106</u>	<u>101</u>

7. Total resources expended

	Grants payable £'000	Direct costs £'000	Salary allocation £'000	Overhead allocation £'000	Total 2012 £'000	Total 2011 £'000
Investment management fees	-	90	-	-	90	86
Grants payable	8,683	-	-	-	8,683	7,436
Support costs	-	111	565	97	773	754
Governance costs	-	41	58	7	106	101
	<u>8,683</u>	<u>242</u>	<u>623</u>	<u>104</u>	<u>9,652</u>	<u>8,377</u>

Staff costs

	2012 £'000	2011 £'000
Wages and salaries	516	516
Social security costs	56	57
Pension costs	51	46
	<u>623</u>	<u>619</u>

During the year, one employee earned emoluments, as defined for taxation purposes, of between £70,000 and £80,000. This also attracted a £7,766 employer contribution to the employee's personal pension scheme (2011: one employee earned over £70,000)

The average number of employees, calculated on a full-time equivalent basis, analysed by function was

	2012 Number	2011 Number
Support staff	12	12
Governance	1	1

9 of the 15 staff were employed by Virgin Money plc and seconded to the Foundation, the remaining six staff were employed directly by the Foundation

8. Trustees' remuneration

The Trustees, who are also the directors of the Foundation, are not entitled to receive any remuneration from the Foundation

Out-of-pocket travel, meals and accommodation expenses totalling £1,335 (2011: £1,416) were reimbursed to three (2011 three) of the Trustees during the year

9. Fixed Assets

	Freehold land and buildings £'000	Fixtures and fittings £'000	Computers and other equipment £'000	Total £'000
Cost:				
At 1 January 2012	1,005	75	114	1,194
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2012	1,005	75	114	1,194
Accumulated Depreciation				
At 1 January 2012	181	59	87	327
Charge for the year	20	7	10	37
Depreciation on disposals in the year	-	-	-	-
At 31 December 2012	201	66	97	364
Net book value 31 December 2012	804	9	17	830
Net book value 31 December 2011	824	15	28	866

10. Fixed assets – Investments under fund management

	2012 £'000	2011 £'000
Market value at 1 January	30,243	31,222
Cost of investments purchased	12,846	5,502
Proceeds of investments sold	(19,466)	(7,056)
Net realised/unrealised gain	2,170	575
	<u>25,793</u>	<u>30,243</u>
Cash	2,052	3,252
Market value at 31 December	27,845	33,495
Historical cost of investments at 31 December	23,521	29,670

Geographical analysis of investments under fund management:

	2012 £'000	2011 £'000
Sterling Fixed Interest	13,045	13,768
UK Equities	10,243	12,933
Overseas Equities:	2,608	3,589
UK Commodities	-	-
Cash	2,052	3,252
Total	27,948	33,542

11. Programme-related investments

	2012 £'000	2011 £'000
Charity Bank	1,000	1,000
Loans to the voluntary sector (net)	158	284
	<u>1,158</u>	<u>1,284</u>

a) Charity Bank

During 2004, the Foundation purchased £500,000 of tier 1 capital (zero coupon non-voting preference shares) in Charity Bank. A further investment of £500,000 was made in 2005 in a tier 2 capital issue of £1 million fixed rate subordinated unsecured notes due for repayment in 2015. These notes are non-transferable and attract interest at a rate of 4% per annum. During 2010 the Trustees agreed to a one year extension of the subordinated loan.

b) Loans to the voluntary sector

The Foundation has entered into an agreement with Charity Bank whereby it will administer a loan book for the Foundation. This is reviewed each year.

During 2012, one new loan was approved for £190,000 (2011: £150,000), this was repaid during the year. Of the £150,000 approved during 2011, a further £100,000 was drawn therefore the recognised liability at the year-end is £125,000. Two further loans were fully repaid £425,000 (2011: £30,000). During 2012, no loans have been identified by the Charity Bank or the Foundation that were causing concern regarding recoverability so there have been no provisions made to reflect a reduction in the expected amount recoverable (2011: £nil).

12. Debtors

	2012 £'000	2011 £'000
Other debtors	-	-
Prepayments and accrued interest	117	94
	<u>117</u>	<u>94</u>

13. Deposits at Virgin Money plc

At 31 December 2012, £4,048,228 (2011: £6,047,265) was on held in fixed term deposits at Virgin Money plc.

14. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Accruals	29	40
PAYE	9	8
Pension	-	-
Trade creditors	40	48
Grants authorised and not yet paid	7,354	8,756
	<u>7,432</u>	<u>8,852</u>

15. Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Grants authorised and payable after 1 year	2,355	2,395

16. Summary of movements on income funds

	General reserve £'000	Revaluation reserve £'000	Total income funds £'000
Income funds at 1 January 2012	31,569	4,423	35,992
Incoming resources	493	-	493
Resources expended	(9,562)	(90)	(9,652)
Net investment gains	-	2,170	2,170
Income funds at 31 December 2012	22,500	6,503	29,003

Of the total income funds of £29,003,000, £6,503,000 relates to the revaluation reserve, as a result of carrying assets on the balance sheet at a valuation more than their original cost

17. Cash flow

a) Reconciliation of net incoming resources to net cash inflow from operating activities

	2012 £'000	2011 £'000
Net outgoing resources	(9,159)	(8,038)
Increase in debtors	(23)	(77)
Decrease in creditors	(1,420)	(1,589)
Decrease in long-term creditors	(40)	(2,406)
Interest on cash and short-term deposits	(109)	(150)
Dividends	(323)	(155)
Interest received on loans	(20)	(20)
Depreciation	37	36
Net cash outflow from operating activities	(11,057)	(12,399)

a) Reconciliation of net cash inflow to movement in net funds

	2012 £'000	2011 £'000
Increase/(Decrease) in cash in the period	5,928	671
Increase/(Decrease) in managed cash	(1,200)	1,740
Increase/(Decrease) in short-term deposits	(8,588)	(11,701)
Change in net funds	(3,860)	(9,290)
Net funds at beginning of period	14,754	24,044
Net funds as at 31 December	10,894	14,754

c) Analysis of net funds

	1 January	Cashflow	31 December
	£'000	£'000	£'000
Cash at bank and in hand	910	5,928	6,838
Short-term deposits	10,590	(8,588)	2,002
Managed cash	3,252	(1,200)	2,052
	14,752	(3,860)	10,892

18. Related party transactions

Certain grants have been made to other charities and organisations that have common Trustees with the Foundation. All such grants awarded have been made using the same guidelines applied to all applications, and the Trustees neither take part in the decision-making process nor benefit from the giving of such grants.

During the year the Foundation contracted services from private companies with which some Trustees are associated, as listed below. The contracts were awarded, on normal commercial terms, using our usual procurement procedures without any involvement from the Trustee.

Trustee	Company	Position	Service	£'000
A Henfrey	NorthStar Ventures	Chairman	Consultancy	5.4
L Moran	Northern Recruitment Group	Chief Executive	Recruitment	4.3