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Ethical Property Foundation

Trustees' Annual Report and Accounts For the year ended 30 September 2006

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Contents

Legal and administrative information	3
Structure, governance and management	4
Activities, achievements and future plans	5
Property Advice Service	6
Space Plus: Support for start-up organisations	8
Planning Activism	9
Supporting social change	10
Ethical Property Standard	11
Financial review	12
Reserves policy	12
Funding	12
Risk assessment	12
Independent Auditor's report to the Members of the Ethical Property Foundation	13
Statement of financial activities	15
Balance sheet	16
Notes to accounts	17

Acknowledgements

The Foundation is grateful for the time and commitment of its Trustees. We would like to thank our funders, without whom our work would not be possible. We are indebted to volunteer Stephanie Nedas who made a significant contribution to the legal content of the Foundation's Property Advice Service website. The on-going energy and partnership of the Ethical Property Company team, in particular, Managing Director Jamie Hartzell, continues to be a great support in the development and delivery of the Foundation's work.

Legal and administrative information

Registered charity name The Ethical Property Foundation

Charity registration number 1101812

Company registration number 04756158 (Company limited by guarantee)

Registered office Development House
56 – 64 Leonard Street
London
EC2A 4JX

Trustees on date report approved

	Appointed
J S Broad	7 May 2003
R Brooke	12 December 2003
S Clarke	7 May 2003
G H C Craig	12 October 2004
D I Lipfriend	25 May 2006
G A Percival	12 October 2004
J A Shepherd	7 May 2003

Company secretary

J C Taylor 6 September 2005

Director J C Taylor

Bankers The Co-operative Bank
1 Balloon Street
Manchester
M60 4EP

Auditors Critchleys
Chartered Accountants and Business Advisers
Greyfriars Court
Paradise Square
Oxford
OX1 1BE

Governing document Memorandum and articles of association (dated 17 April 2003)

Structure, governance and management

The Foundation was established by sister organisation the Ethical Property Company PLC and registered as a company limited by guarantee in May 2003. The Foundation became a registered charity in January 2004.

The objects of the charity are to promote such purposes as may be charitable according to the laws of England and Wales and in particular to promote the efficiency and efficacy of charities.

The Foundation aims to empower 'consumers' of property, including charitable organisations and community groups, to make the most of property; and influence 'suppliers' of property, such as landlords and developers, to reduce their environmental and social impacts.

The Foundation is governed by a board of Trustees. The day to day business of the Foundation is delegated to a full-time Director who reports to the Trustees. The Trustees meet quarterly to make medium to long-term decisions regarding the running of the Foundation.

The board of Trustees takes responsibility for identifying gaps in its skills and finding suitable people to serve as Trustees. Trustee appointments are approved by the Foundation's sister organisation, the Ethical Property Company. Trustees do not serve a fixed term. The Trustees are bound to ensure that they are not conflicted by any involvement in the Ethical Property Company and to ensure a quorum of Trustees who have no such connection.

This year, the Foundation has continued to benefit from the skills and experience of the Ethical Property Company's Managing Director Jamie Hartzell, IT and Development Co-ordinator Janine Woodward and Senior Property Manager Peter Allen. The Foundation and Company work in partnership on a number of projects.

Trustees' responsibilities

The Trustees are responsible for preparing the Annual Report and Accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the results of the company for that period. In preparing those accounts the Trustees are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent, prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Trustees are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and each Trustee has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Activities, achievements and future plans

The Foundation aims to empower 'consumers' of property, including charitable organisations and community groups, to make the most of property, and influence 'suppliers' of property, such as landlords and developers, to reduce their environmental and social impacts

Our business plan identifies the four strands of work that we wish to develop in support of our aims

1. Property Advice Service

Providing information, support and professional advice to enable charitable organisations to make the most of the properties that they rent, manage and own.

2. Planning Activism

Providing information and training on planning and development to help individuals and community groups take an active role in creating vibrant neighbourhoods

3. Ethical Property Standard

Creating an Ethical Property Standard, setting out best practice standards for environmental and social performance for landlords and developers

4. Commercial Property Best Practice

Developing, facilitating and sharing best practice on social and environmental performance in commercial property, particularly existing building stock

This year, the Foundation has undertaken work on the first three of these strands of work. We will commence the development of a programme of work on commercial property best practice in 2007/08

Property Advice Service

Objectives

Although almost all charitable organisations come into contact with the commercial property world through letting or buying a building to run their projects, few have the skills and experience needed to avoid costly mistakes. As a result, many spend unnecessarily large amounts of time and money dealing with property issues – resources that could be better spent on their charitable work.

The Foundation's Property Advice Service was developed in response to the lack of accessible, low cost commercial property advice and consultancy to charities and community organisations.

The Foundation set the following objectives for the Property Advice Service for the year:

- undertake a comprehensive pilot of the Property Advice Service
- launch and deliver a Property Advice Service to London-based charities which will, over three years
 - assist 500 organisations via a comprehensive website
 - provide one to one support to 120 organisations
 - secure reduced cost professional advice for 60 organisations

Activities

The Property Advice Service was piloted with 19 organisations based in the London boroughs of Southwark and Redbridge between October 2005 and March 2006. The pilot enabled the Foundation to fine tune the delivery model for the Service and develop a range of property 'healthchecks' in response to the needs of participating organisations. A report on the pilot is available from the Foundation's website.

The launch of the Property Advice Service for London-based charities in April attracted coverage in the mainstream property press and charity media.

In June 2006, the Foundation recruited Victoria Howse as its second full time member of staff to run the Property Advice Service on a day to day basis.

Relocation upheaval avoided

A sexual health charity sought advice on finding new premises. A visit to their offices revealed that by replanning the office layout, the premises could accommodate the organisation for another two years, delaying a costly and disruptive move. The Foundation referred the charity to an office design specialist who replanned the space to incorporate additional desks, enhance working conditions and improve health and safety. New storage systems and furniture were acquired at a significant discount - and can all be taken with the organisation when they relocate.

The Service offers

- a web-based guide to the most common issues charities face when leasing and managing property
- expert advice from the Foundation's in-house team and our register of property professionals
- affordable consultancy on lease, property management and financial performance of property assets

Since the launch of the Service, 272 charities have registered to use the Foundation's website, 92 charities have received one to one guidance and 19 have received property 'healthchecks', which provide a detailed review of an organisation's lease, property management practices or the performance of their property asset. 20 charities have received free or discounted support through our register of property professionals – which has attracted 30 members. If these levels

of performance are maintained, the Foundation will achieve the targets set for the London Property Advice Service at least 18 months ahead of schedule

£25,000 saved!

An international development organisation was planning to consolidate their operations on one site. They spent many hours juggling with the need to negotiate a lease extension as well as exercise a break clause on a separate property.

They required considerable input from a dilapidations surveyor whose work saved approximately £25,000 in refurbishment costs on the property they moved out of.

To date, 18% of organisations assisted through the Service have been black and ethnic minority groups and 10% have been organisations that assist people with disabilities. 61% of organisations assisted have had a turnover of less than £500,000 and 43% less than £250,000.

This year, the Foundation has delivered two training sessions on relocation to voluntary sector organisations, presented on our work at events including the Charities Property Fund annual conference and provided an introductory briefing on voluntary sector property issues to Charities Aid Foundation consultants.

The pilot and operation of the Property Advice Service has been supported by the Tudor Trust, Charities Aid Foundation, City Parochial Foundation, Bridge House Trust and the Home Office's ChangeUp programme.

Future plans

The Foundation has submitted funding bids to extend the Property Advice Service to Bristol and the surrounding area in early 2007. We aim to commence recruitment for a Bristol Property Advice Manager in February and launch the Service in May 2007. This will be the first step in expanding the Property Advice Service across the UK.

SpacePlus: Support for start-up organisations

Objectives

Manchester Refugee Support Network identified the lack of suitable office accommodation as a key barrier to the success of local refugee community organisations. These organisations need space for meetings, group work, one to one support and counselling sessions and day to day administration. Many work from their kitchen table and hire often unsuitable space for activities on an ad hoc basis. Though committed and delivering much-needed services, they can be chaotic and financially insecure and are therefore considered poor tenants by landlords. In response to this need, the Foundation launched partnership project 'SpacePlus' with the Ethical Property Company in January 2005.

The objectives for SpacePlus are to

- provide office accommodation to three refugee community organisations
- offer a package of capacity building support to help organisations achieve greater organisational and funding stability
- assist organisations to 'graduate' from SpacePlus and take on a direct relationship with a landlord

Activities

SpacePlus offers new organisations the opportunity to take up their first office. Shared office space and the opportunity to hot desk keep office costs to a minimum. Alongside office space provided by the Ethical Property Company, the Foundation offers tenants a package of training and support. The Foundation underwrote the rent on a small hot desking suite at the Green Fish Resource Centre in Manchester, furnished the office and provided computers and IT support. Project partner Manchester Refugee Support Network provided the tenants with organisational development support to build capacity.

The project has provided desks to three refugee community organisations. Tenants have benefited from a good quality, sociable working environment, a city centre location accessible to their volunteers and clients, proximity to partner and support organisations and a more professional image.

After a year of support from the Foundation and Manchester Refugee Support Network the three tenant organisations have achieved medium term funding stability, developed business plans and one has taken on its first member of staff. At the end of the project all three organisations were offered a lease directly with the landlord.

Key lessons learned from the Foundation's evaluation of the project included the need for a significantly higher budget for staff time (to reflect the higher project and property management demands of inexperienced tenants), strengthened tenant selection procedures (to ensure organisations can make immediate use of the office), a smaller, better defined project partnership, clear information for tenant organisations in their mother tongues, strong strategies for communication with tenant organisations (to combat poor communication between and within tenant organisations), and a strong on-site staff presence.

Future plans

From delivering, and evaluating, the SpacePlus project, the Foundation has built considerable knowledge of the accommodation needs, and challenges, for start up organisations. This learning will be incorporated into the day to day work of the Foundation's Property Advice Service.

Planning Activism

Objectives

A planning obligation is the contract, between a developer and local authority, that accompanies planning permission, and sets out the contribution the developer will make to meeting the costs imposed by the development. £1.9 billion for affordable housing, education, transport, open space, and community and leisure facilities was secured through planning obligations in 2003/04, with 40% of major residential developments attracting a planning obligations agreement. There is considerable potential for community groups to engage with this process and secure community benefits. However, due to the lack of information available to communities on planning obligations, in many cases this opportunity is lost.

The Foundation has set the following objectives for this area of work.

- publish a 'Planning Activist's Handbook' – a hands-on guide for community groups working to maximise community benefits from the planning system, and in particular, planning obligations
- seek funding to support a series of training workshops for community groups engaging with the planning obligations process

Activities

The Foundation has continued its research project exploring how planning obligations can be harnessed to deliver maximum community benefit. Due to the success of the Foundation's Property Advice Service, the Foundation has been unable to commit sufficient resources to complete and publish the 'Planning Activist's Handbook' this year. Fundraising for additional resources for this project is underway.

Future plans

The Foundation plans to secure resources to enable the completion and publication of the Planning Activist's Handbook and to offer a series of practical training sessions on planning obligations. The learning from the publication and training sessions will inform the development of a new programme of Foundation work in this area.

Supporting social change

Objectives

There are certain problems within our society that can only be solved if society itself is radically altered. Social change organisations are dedicated to tackling the root causes of these problems, whether through a change in the law, in the political or economic system, or in societal behaviour or attitude. The issues they work on reflect some of the key challenges facing society - from overseas development to peace building, to poverty in the UK. As these organisations often fundamentally challenge accepted societal norms, they can suffer from a lack of financial and public support.

The Foundation has partnered with the Ethical Property Company to highlight and support the work undertaken by social change organisations to researchers, funders and individuals making career choices.

The following objectives were set for the year:

- undertake, and publish, a survey of social change organisations in the UK
- identify barriers to the success of social change organisations at a European level, and the support needed to overcome them

Activities

A survey of the social change movement in the UK has been completed. This has been published as an on-line resource, www.socialchange.org.uk, which includes a searchable directory of over 800 social change organisations, facts and figures on the sector and guidance for those considering a career in social change. The website was launched at the Network for Social Change's 'Social Change Exchange' event in Birmingham which was attended by over 150 social change organisations.

Initial research into the impact of social change organisations in Europe revealed that, whereas there are over 15,000 corporate lobbyists in Brussels, only a handful of social change organisations have a presence. With over 90% of environmental legislation now made at a European level, this lack of an influential, independent presence means that key opportunities to shape policy are being missed. Barriers to a greater presence by social change organisations include a lack of suitable premises, a lack of funding resources for European work, cross-border governance difficulties, problems achieving tax-free status, and language barriers. Funding has been secured to undertake a feasibility study for a centre providing office space to social change organisations in Brussels.

We are grateful for the support of the Network for Social Change and the Sigrid Rausing Trust for our social change work.

Future plans

In the next year the Foundation will partner with the Company to complete the feasibility study for a social change centre in Brussels. The study will identify potential tenants and their requirements, possible locations for the centre, the financial sustainability of the centre, opportunities and constraints of the property market in Brussels, cross-border financial and legal issues and sources of finance for a centre.

Ethical Property Standard

Objectives

The property industry contributes 18.6% of UK GDP, accounts for 73.8% or £4,050.5 billion of UK capital stock and employs 1,965,200 people. It has a huge influence in shaping the face of Britain - creating the places where we live, work and take our leisure. There are examples of excellent practice in the industry – innovative financing models for regeneration projects, developments delivering large reductions in environmental impact and social enterprises creating mixed tenure communities in desirable locations.

However, few would disagree that the property industry results in significant, undesirable environmental and social impacts. In 1998, the industry generated 150 million tonnes of waste. The built environment is responsible for over 50% of the UK's CO₂ emissions. The social concerns associated with new developments range from the health and safety of construction personnel to the provision of social infrastructure and the social cohesion impacts of demographic changes.

The Foundation plans to develop an Ethical Property Standard setting out environmental and social performance benchmarks for landlords and developers. The Standard will aim to reward good practice, raise awareness of poor environmental and social performance, and act as a driver for change in the property industry.

The Foundation set the following objectives for the year:

- commence initial research into the concept of an Ethical Property Standard

Activities

The Foundation has completed an initial study into the scope and nature of the Standard. This research has enabled the Foundation to commence fundraising for a feasibility study for the Standard.

Future plans

In the next year, the Foundation plans to secure funding to employ a researcher to undertake a feasibility study into the Ethical Property Standard. The study will assess current environmental and social performance in the property industry, and explore the scope, nature, operational environment and options for delivery models for the Standard.

Financial review

Income has doubled, reflecting a commitment to fundraise in support of the work of the Foundation. This has allowed a corresponding growth in charitable activities.

During the period the Foundation has received income of £94,633 and has made £94,966 of expenditure. The Foundation therefore has a deficit of £333 for the period. With income brought forward from the previous period, the Foundation will carry forward £39,643, of which £12,802 is restricted funding.

Reserves policy

The Trustees of the charity have developed a formal reserves policy in line with Charity Commission guidelines, which is appropriate to the future plans in terms of the size and growth of the organisation.

Funding

£5,288, including staff time and a proportion of overheads, was spent on external fundraising during the period. £39,175 has been raised for projects delivered this year, and £112,342 raised for projects to be delivered over three years.

The Foundation would like to thank all the funders who have supported our work during this period.

Bridge House Trust
Change Up, Active Communities Unit, Home Office
Charities Aid Foundation
City Parochial Foundation

Network for Social Change
Sigrid Rausing Trust
Tudor Trust

Risk assessment

The Foundation has developed a risk register that is reviewed and updated on a regular basis.

This report was approved by the Board of Trustees on 17/1/07 .. 2006 and signed on its behalf by

S Clarke



Independent Auditor's report to the Members of the Ethical Property Foundation

We have audited the accounts of Ethical Property Foundation for the year ended 30 September 2006 which comprise the Statement of Financial Activities, Balance Sheets and the related notes. These accounts have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the 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 auditors

The trustees' responsibilities for preparing the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Trustees' Annual Report is consistent with the accounts.

In addition, we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

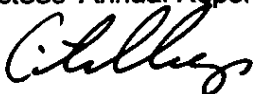
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion

- The accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 30 September 2006 and of its incoming resources and application of resources, including the income and expenditure, for the year then ended, and
- The accounts have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Trustees' Annual Report is consistent with the accounts



Critchleys, Oxford
Chartered Accountants
Registered Auditors

12 March 2007

Statement of financial activities

	Unrestricted Funds 2006 £	Restricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Incoming resources				
Consultancy	633	-	633	-
Grants received	30,000	60,867	90,867	44,998
Interest income	803	-	803	317
Commissions	1,957	-	1,957	1,957
Rent	373	-	373	4,857
Total incoming resources	33,766	60,867	94,633	52,129
Resources Expended				
Cost of Generating Funds	5,288	-	5,288	3,024
Charitable Activities				
Property Advice Service	-	49,885	49,885	9,242
Planning Activism	13,831	-	13,831	6,039
Space Plus Support for Start-Up Organisations	7,311	-	7,311	6,254
Social Change Survey	-	7,673	7,673	6,421
Software Licences	1,846	-	1,846	2,955
Governance	9,132	-	9,132	3,728
Total resources expended	37,408	57,558	94,966	37,663
Net incoming resources for the year	(3,642)	3,309	(333)	14,466
Funds Brought Forward at 30 September 2005	30,483	9,493	39,976	25,510
Balance at 30 September 2006	26,841	12,802	39,643	39,976

Balance sheet

	Note	2006 £	2005 £
Current assets			
Trade debtors		396	3,476
Cash at bank and in hand		<u>74,084</u>	<u>42,345</u>
		74,480	45,821
Creditors - amounts falling due within one year			
Deferred Income	9	28,196	-
Trade creditors		<u>6,641</u>	<u>5,845</u>
		39,643	39,976
Net current assets			
		39,643	39,976
Net assets			
		39,643	39,976
		£	
Funds			
Unrestricted		26,841	30,483
Restricted		<u>12,802</u>	<u>9,493</u>
		39,643	39,976

These accounts were approved and authorised for issue by the Trustees on 17/1/07 and signed on its behalf by S Clarke

S Clarke



Notes to accounts

1. Accounting Policies

- a **Basis of accounting**
The accounts are prepared under the historical cost convention and in compliance with applicable accounting standards
- b **Presentation of the accounts**
The charity has adopted the Statement of Recommended Practice (SORP) 'Accounting and reporting by Charities' issued in 2005
- c **Income and Expenditure**
All items of income and expenditure, including grants receivable, are accounted for on an accruals basis. Where a grant is received where the donor has specified that part of this is to be expended in a future accounting period, this is included in deferred income and will be released to the Statement of Financial Activities in the year to which it relates. Support costs are allocated to the respective charitable activities
- d **Funds**
Unrestricted funds represent funds of the charity that are not subject to any restrictions regarding their use

Restricted funds are those which are specified for a particular use by their donor

2. Trustee's remuneration

There was no trustees' remuneration during the period. Two trustees were paid expenses of £199.85 during the period.

3. Taxation

The Foundation is a company and a registered charity. It has exemption from taxation on any trading profits which are applied for the purposes of the charity.

4. Restricted Funds

	1st Oct 05 £	Incoming Resources £	Resources Expended £	30th Sept 06 £
Property Advice Service	4,493	52,592	49,885	7,200
Space Plus	-	-	-	-
Planning Activism	5,000	-	-	5,000
Social Change Survey	-	8,275	7,673	602
	9,493	60,867	57,558	12,802

5. Liability of members

Every member of the Foundation undertakes to contribute a sum not exceeding £1 to the assets of the Foundation if it is wound up during his or her membership or within one year afterwards.

6. Capital commitments

There were no capital commitments either contracted for or authorised at 30 September 2006.

7. Governance Costs

	2006	2005
	£	£
Audit	1,052	1,240
Bank Charges	12	51
Statutory Returns	15	31
Legal & Professional Fees	523	276
Trustee Expenses	200	48
Trustee Meetings	66	8
Proportion of Staff Time and Office Overheads	7,264	2,074
	<u>9,132</u>	<u>3,728</u>

8. Employees

Wages and Salaries	£38,050 (2005: £10,000)
Social security costs	£3,986 (2005: £1,071)
Pension costs	£2,101 (2005: £150)

The average number of full time equivalent employees employed throughout the year was 1.25 (2005: 0.3) and no employee emoluments exceeded £50,000 during the year.

9. Deferred Income

	£
Balance at 1 October 2005	-
Amounts released from previous years	-
Amount deferred in the year	28,196
Balance at 30 September 2006	28,196

This represents grants received where the donor has specified that these are to be expended in a future accounting period.