

**Registered No: 5588883**

**Registered Charity No: 1114839**

**THE RESOLUTION FOUNDATION  
REPORT AND FINANCIAL STATEMENTS  
30 SEPTEMBER 2006**

**THE RESOLUTION FOUNDATION**  
**PERIOD ENDED 30 SEPTEMBER 2006**

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**TRUSTEES**

C Cowdery (Chairman)  
Baroness Greengross OBE  
C Alexandrou  
G Morton (appointed 17 May 2006)  
P Stevens (appointed 17 May 2006)

**SECRETARY AND CHIEF EXECUTIVE**

S Regan

**ADVISORY BOARD**

H Davies  
K Green  
D Carrington  
J Sassoon  
L Edmans  
J Drake  
B Pomeroy  
P Butler

**AUDITORS**

Horwath Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

**BANKERS**

NatWest Bank Plc  
St Paul's Branch  
Juxon House  
98 St Paul's Churchyard  
London  
EC4M 8BU

**SOLICITORS**

Bates, Wells and Braithwaite  
2 Cannon St  
London  
EC4M 6YH

**REGISTERED OFFICE**

The Resolution Foundation  
100 St Paul's Churchyard  
London  
EC4M 8BU

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## **THE CHARITY, ITS TRUSTEES AND ITS MANAGEMENT**

The Resolution Foundation was incorporated on 11 October 2005 as a company limited by guarantee no. 5588883 and was registered as charity no. 1114839 on 24 June 2006. The charity is governed by its Memorandum and Articles of Association.

The trustees are a self-appointing body with each trustee being appointed initially for a three year term. New trustees can be nominated by any existing trustee and are appointed according to relevant skills and experience. Trustees are given an in-depth introduction to the organisation and the role of the trustee through meetings with the Chairman and Chief Executive. They attend the regular meetings of the organisation's Advisory Board where progress, strategy and plans are discussed. Trustees are also sent relevant documentation including research reports and minutes of meetings.

The trustees meet as necessary and not less than twice each year, and all key decisions affecting the charity are made at these meetings. The Advisory Board has a purely advisory function. The trustees have appointed a Chief Executive who has the day to day responsibility for all operational matters.

The trustees who acted during the period are those listed on page 1.

## **OBJECTIVES, ACTIVITIES AND ACHIEVEMENTS**

### **Aims, objectives and strategy**

The objects of the charity (as set out in company's Memorandum of Association) are "to promote research and the education of the public into the effect of economic, social and financial factors on the living standards of people benefiting from an income at or below the national average."

The charity's key aim is to improve the well-being of people on low to median incomes by researching their needs, developing practical proposals for reform and actively engaging in the policy-making process to bring about change. The charity's focus in 2005/06 was on access to financial services, in particular furthering understanding of the financial advice gap and the potential of a national financial advice resource.

During 2005/06, its key objectives were:

- ? To develop and build a consensus on a solution to the financial advice gap
- ? To secure a commitment from government and industry to fund the solution
- ? To influence the wider financial inclusion and capabilities agendas
- ? To develop a longer-term strategy for the Foundation beyond 2006

The charity's strategy to achieve these objectives was to undertake a programme of research in order to build a strong evidence base (on the nature of the problem and possible solutions), and to complement this with a programme of engagement to build consensus among stakeholders and influence decision-makers. Its overarching approach was to produce costed and practical solutions that could garner wide spread support and which would enable the Government to take the lead in implementing a solution. Alongside its work on the financial advice gap, the charity used its knowledge to influence the wider financial inclusion and capability agenda. A dedicated stream of work has also been developed to ensure that the charity's longer-term strategy is informed by a wide range of views and evidence.

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### **Activities**

The charity's activities for the year are detailed below:

- A series of research projects leading to the publication and dissemination of three reports: *Living in the Advice Gap*; *Closing the Advice Gap*; and *A National Dividend*. This programme of work included:
  - Data analysis by the Future Foundation and the ILC UK
  - Primary research and business analysis undertaken pro bono by McKinsey
  - Economic modelling commissioned from Deloitte.
- The formation of three consultative groups to feed into the development process of a national financial advice resource and a wide-ranging consultation exercise with the responses being analysed and the results published.
- A number of events including a major conference, seminars, participation in fringe meetings at all the main party conferences and the start of a lecture programme.
- A proactive engagement strategy - feeding into relevant parliamentary select committees, industry and consumer forums and using the media to promote our findings.
- Partnership projects on the wider financial inclusion and capability agenda with the ippr, Social Market Foundation and New Philanthropy Capital.

### **Achievements**

The charity's achievements in 2005/06 were to:

- Secure a commitment from the Government to make generic financial advice a key element of their long-term strategy on financial capability. (In January 2007, the Government published its financial capability strategy document which committed to delivering a national solution to the financial advice gap and set up an independent study, led by Otto Thoresen of Aegon UK, to advise on how to deliver this service.)
- Secure recommendations from two select committees that generic financial advice should be developed alongside pensions reform and the introduction of personal accounts.
- Build a consensus across a wide range of stakeholders on the need to fill the financial advice gap, securing over 40 written responses to its consultation exercise.
- Establish the charity as a 'brand' associated with good quality research, practical policy proposals and a strong focus on making change happen by engaging with decision-makers and delivery agents.
- Recruit a staff team and establish procedures for ensuring the effective running of the organisation.

## **PLANS FOR FUTURE PERIODS**

### **Aims, objectives and strategies**

In 2006/07, the charity is maintaining its aim of improving the well-being of people on low-to-median incomes. The charity has identified four key objectives for 2006/07:

- To support and promote the delivery of a national financial advice resource
- To continue to influence the wider financial capability and inclusion debates
- To further our understanding of people on 'low-to-median' incomes and promote their interests
- To develop and initiate a programme of research and engagement on a second theme of work with direct relevance to this target group – elderly care

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**Activities**

The charity's research programme for 06/07 has three elements:

1. On financial advice and capability, the research includes:
  - Further economic modelling to understand the impact of generic financial advice on the financial services industry.
  - Working with external partners to develop a telephone advice trial based on the use of advice scripts.
  - An evaluation of comparison websites.
  - Secondary research on behavioural economics and how this relates to financial decision-making.
2. To further our understanding of the needs of people on low-to-median incomes, the research includes:
  - Primary research on the attitudes and concerns of this income group.
  - Commissioning leading thinkers and academics to write essays on a range of topics relevant to the well-being of this income group, which will be published in Spring 2008.
3. To scope the area of elderly care, the work includes:
  - Primary research with the target group to inform priorities (linked to the wider research with the target group.)
  - A scoping exercise to identify research and policy priorities, with a 'new agenda' paper setting out the breadth of the agenda and where the charity believes it can add value.

The charity's engagement work for 06/07 includes:

- A major conference on financial advice, feeding into the Treasury-sponsored independent review of generic financial advice (held on 14 March 2007.)
- Responding to relevant government consultation exercises, giving evidence to select committees, holding events during party conference season and responding to media opportunities.
- The development of a strategy to influence elderly care policy based on an in-depth mapping of the stakeholder and political landscape.

**FINANCIAL REVIEW**

The financial statements show incoming resources for the year of £1,302,863 with resources expended in the year of £925,241.

Clive Cowdery is chairman of the Board of Resolution PLC as well as chair of the charity's Board of Trustees. The Resolution Foundation is a separate and independent entity to Resolution PLC. The charity is privately funded by Clive Cowdery.

The incoming resources to the charity comprise direct personal donations from the Chairman and an annual payment from Resolution PLC (in lieu of taking a salary) together with bank interest received in the period. The charity pays a fee to Resolution Management Services for using its premises and for certain office services.

At 30 September 2006, the charity had free reserves totalling £377,622. The trustees' policy is to hold free reserves of between three to six months of the charity's ongoing costs, essentially staff costs and rent.

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## **RISK MANAGEMENT**

The trustees acknowledge their responsibility for establishing a risk management system and are satisfied that appropriate systems and procedures have been established to identify and manage the major risks faced by the charity.

The trustees consider that the key risks faced by the charity are:

- Reliance on a single donor. The charity is currently funded privately by Clive Cowdery. Mr Cowdery has committed sufficient funds to the charity to cover budgeted costs for planned activities in 2006/07. The charity may seek external funding to support additional activities related to work on elderly care during 2006/07.
- Evolving from its initial goal. Over 2006/07, the charity is complementing its work on financial advice with a new theme of work on elderly care. The charity is embarking on a programme of scoping research to ensure the charity's chosen objectives will add value and build on the charity's core strengths.
- Changing premises. The charity may need to move from its current premises in Juxon House during 2006/07 if Resolution PLC needs the space to accommodate possible growth. The charity understands it will be given sufficient time to move to new premises before having to leave Juxon House.

## **AUDITORS**

So far as the trustees are aware, there is no relevant audit information of which the charity's auditors are unaware. The trustees have each taken all the steps that we ought to have taken as trustees in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Horwath Clark Whitehill LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted to the forthcoming Annual General Meeting.

By order of the trustees

Secretary

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The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and 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 charitable company at the end of the period and of the profit or loss of the charitable company for the period. In preparing those financial statements 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 financial statements on the going concern basis unless it is inappropriate to assume that the charitable company will continue to operate.

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

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
THE RESOLUTION FOUNDATION**

We have audited the financial statements of The Resolution Foundation for the period ended 30 September 2006, which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

**Respective responsibilities of the trustees and auditors**

The responsibilities of the trustees, who are also the charity trustees for the purposes of charity law, for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Trustees' Report is consistent with the financial statements.

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 trustee's remuneration and other transactions with the charity is not disclosed. We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to other information.

**Basis of 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, 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 information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements 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 financial statements.



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**Unqualified opinion**

In our opinion the financial statements:

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

**Horwath Clark Whitehill LLP**  
Chartered Accountants and Registered Auditors

St Bride's House  
10 Salisbury Square  
London EC4Y 8EH

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**STATEMENT OF FINANCIAL ACTIVITIES**  
**(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)**

	Notes	2006 £
<b>INCOMING RESOURCES</b>		
Donations		1,300,000
Bank interest		<u>2,863</u>
<b>TOTAL INCOMING RESOURCES</b>		<u><b>1,302,863</b></u>
<b>RESOURCES EXPENDED</b>		
Charitable activities	2	918,191
Governance cost	2	<u>7,050</u>
<b>TOTAL RESOURCES EXPENDED</b>		<u><b>925,241</b></u>
<b>NET INCOMING RESOURCES FOR THE PERIOD</b>		<u><b>377,622</b></u>
Funds carried forward at 30 September 2006		<u><b>377,622</b></u>

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**BALANCE SHEET**  
**AT 30 SEPTEMBER 2006**

	Notes	2006 £
<b>CURRENT ASSETS</b>		
Debtors	3	110,000
Cash at bank		<u>715,711</u>
		<b>825,711</b>
<b>CREDITORS:</b> amounts falling due within one year	4	<u>(448,089)</u>
<b>NET CURRENT ASSETS</b>		<u><b>377,622</b></u>
<b>TOTAL ASSETS</b>		<u><b>377,622</b></u>
<b>FUNDS</b>		
Unrestricted funds		<u><b>377,622</b></u>

The financial statements on pages 8 to 11 were approved by the Trustees on 20 March 2007 and signed on their behalf by the Chairman

Chairman

**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

**a) Basis of Preparation**

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Companies Act 1985, the Statement of Recommended Practice (SORP 2005), "Accounting and Reporting by Charities" and applicable accounting standards.

**b) Company Status**

The charity was incorporated on 11 October 2005 and is limited by the guarantee of its members. The members of the company are the Trustees named on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member.

**c) Fund Accounting**

Unrestricted funds which have not been designated for other purposes are available for use at the discretion of the trustees in furtherance of the objectives of the charity.

**d) Incoming Resources**

All incoming resources are included in the financial statements when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Donation income is recorded in the financial statements when the donations are received. Tax recoverable on gift aid donations is recorded when the donation is received.

**e) 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.

Governance costs are those incurred in connection with the charity's compliance with constitutional and statutory requirements.

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**NOTES TO THE FINANCIAL STATEMENTS**

**2. RESOURCES EXPENDED**

	<b>2006</b> £
<b>Charitable activities:</b>	
Consultants	362,020
Research and development	220,767
Staff costs	198,034
Events and publications	80,855
Rent	31,726
Marketing	5,739
Other expenses	<u>19,050</u>
	<b>918,191</b>
<b>Governance costs</b>	<u>7,050</u>
<b>Total resources expended</b>	<u><b>925,241</b></u>

Governance costs include audit fees of £4,500 and other fees payable to the auditors for accountancy services of £1,500, plus VAT.

One employee received emoluments as defined for taxation purposes of between £70,001 and £80,000 in the period.

	<b>2006</b> No.
Excluding trustees, the average monthly number of employees during the year was	<u>3</u>

	<b>2006</b> £
<b>3. DEBTORS</b>	
Tax recoverable	<u>110,000</u>

	<b>2006</b> £
<b>4. CREDITORS:</b> amounts falling due within one year	
Accrued expenses	<u>448,089</u>