

Registered No: 5588883

Registered Charity No: 1114839

**THE RESOLUTION FOUNDATION
REPORT AND FINANCIAL STATEMENTS
30 SEPTEMBER 2007**

THE RESOLUTION FOUNDATION
YEAR ENDED 30 SEPTEMBER 2007

TRUSTEES

C Cowdery (Chairman)
Baroness Greengross OBE
C Alexandrou
G Morton
P Stevens

SECRETARY AND CHIEF EXECUTIVE

S Regan

ADVISORY BOARD

H Davies
K Green
D Carrington
J Sassoon
L Edmans
J Drake
B Pomeroy
P Butler
S Burke
R Hancock

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

THE RESOLUTION FOUNDATION YEAR ENDED 30 SEPTEMBER 2007

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 year are those listed on page 2.

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 aim is to improve the well-being of low earners (people largely independent of state support earning up to median incomes) by promoting fair and efficient access to the mixed economy. The charity does this by researching their needs, developing practical proposals for reform and actively engaging with policy-makers and practitioners to bring about change. The charity's main focus in 2006/07 was on access to financial services, in particular securing the establishment of a national financial advice resource.

The charity had four objectives in 2006/07:

- To support and promote the delivery of a national financial advice resource
- To influence the wider financial capability and inclusion debates
- To further understanding of low earners
- To develop and initiate a new programme of work – long-term care of older people

The charity's overall strategy is to combine robust research with a strategy of engagement and consensus-building.

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In our work on the financial advice gap, our overarching approach was to produce costed and practical proposals that could both garner widespread support and enable the Government to take the lead in implementing a feasible solution. Alongside this work, the charity used its knowledge gained from the research to influence the wider financial inclusion and capability agenda. A dedicated stream of work was also developed to ensure that the charity's longer-term strategy was informed by a wide range of views and evidence. Details of our activities and achievements are below.

Activities

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

1. On financial advice and capability, the research included:
 - Further economic modelling to understand the impact of generic financial advice on the financial services industry, in a report entitled *The Advice Gain* (March 2007)
 - Working with external partners to develop a telephone advice trial based on the use of scripts. The Thoresen Review decided to prototype an advice service and used our development work to kick start this process.
 - An evaluation of financial product comparison websites, carried out in Summer 2007, the findings of which were published in October 2007 in *Compare and Contrast: How the UK comparison website market is serving financial consumers*.
 - Secondary research on behavioural economics and how this relates to financial decision-making. This culminated in a paper examining how behavioural economics could render the delivery of financial advice more effective, presented at a seminar in June 2007 entitled *Influencing financial behaviour and the role of generic financial advice*.
 - A project investigating how pensions reform – and in particular the introduction of Personal Accounts in 2010 – would impact on the provision of financial advice. This included the development of a set of draft protocols guiding the content and delivery of advice on pensions reform and personal accounts, informed by a workshop in March 2007 and a seminar in May 2007. These protocols were circulated to the Thoresen team and key stakeholders in Parliament, the DWP and the Personal Accounts Delivery Authority.
2. To further our understanding of the needs of people on low-to-median incomes, the research included:
 - Primary research on the attitudes and concerns of this income group. This work included a literature review, carried out by Deloitte, of all existing sources of data relevant to lower earners, with a particular focus on their daily lives, concerns and political perspectives. Gaps in data were filled by a series of focus groups and depth interviews with low earners hosted by Deloitte during the summer of 2007.
3. To scope the area of long-term care, the work included:
 - Primary research in the form of focus groups and depth interviews (linked to the wider research with low earners) as well as a YouGov poll to investigate experiences and perceptions of long-term care. The findings were published in February 2008 in a report entitled *Lost: low earners and the elderly care market*
 - Extensive desk-based research and a consultation exercise with key experts and opinion-leaders in this field to identify where the charity could add value.

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

- A major conference on financial advice, feeding into the Treasury-sponsored independent review of generic financial advice which was held on 14 March 2007 with Otto Thoresen, and government ministers - the then Economic Secretary (Ed Balls MP) and Pensions Minister (James Purnell MP)
- Responding to relevant government consultation exercises, giving evidence to select committees, holding events during party conference season and responding to media opportunities.
- An in-depth mapping of the stakeholder and political landscape and a strategy to engage with key stakeholders in developing our work on long-term care.
- Producing InBriefs in partnership with Transact and distributing to their 1000+ membership.

Achievements in 06/07

The charities key achievements in 2006/07 were to:

- Support the Thoresen team in undertaking their review and reaching conclusions. The Foundation was delighted with the central recommendation of the Thoresen Review to roll out a national Money Guidance service starting with a £12million pathfinder. The mixed channel delivery model and funding proposals are very consistent with the Foundation's proposals.
- Illustrate the impact on and benefits to the financial services industry of widely available generic financial advice through the economic modelling undertaken by Deloitte.
- Illustrate the desirability and feasibility of operationally testing models for generic financial advice. A number of prototypes were tested during the Thoresen review.
- Encourage the comparison website industry to improve practice. The Foundation's research into comparison websites received extensive media coverage and led to website providers meeting to discuss a voluntary code of practice, the report's main recommendation. The FSA has also subsequently looked into this issue, and has announced its intention to further investigate insurance comparison websites.
- Develop a wide range of constructive relationships with people and organisations working in the field of long-term care
- Build its brand through robust research outputs and effective engagement and lobbying strategies.

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PLANS FOR FUTURE PERIODS

Aims, objectives and strategy

In 07/08, the charity will continue and develop its work programme on long-term care and maintain workstreams on financial health and on low earners. The key objectives for 2007/08 are:

- To influence long-term care policy development through robust market analysis, the development of practical solutions and a comprehensive engagement strategy
- To monitor the development of the Money Guidance service and raise the profile of the need for a coherent National Financial Health Service
- To build an evidence base and encourage debate on low earners and how they fare in the mixed economy
- To develop the staff team, move offices and detach the charity from Resolution plc ensuring all systems and policies are in place

Activities

On long-term care, activities will include:

- A project with Deloitte mapping care markets, contrasting them with the attributes of well functioning markets and highlighting where there is scope for greater efficiency and fairness
- Our annual conference, where the Deloitte analysis will be published, with senior politicians (including Nick Clegg MP and David Willets MP) and an audience from government, the third sector and industry. This conference was held in April 2008.
- Developing a vision of a healthy long-term care market and undertaking a series of projects to identify solutions needed to realise this vision, to be promoted at a conference in the Autumn of 2008
- A consultation exercise with all key stakeholders (care providers, third sector, local government, policy influencers (incl. government) and financial service providers) over Summer 2008 and an ongoing programme of one-on-one meetings
- A political engagement strategy involving key figures from all three main political parties and local government, including hosting meetings at all three party conferences
- A proactive media strategy fostering relationships with key journalists
- A collection of essays on long-term care which paint the connections between long-term care policy and other political and economic priorities, including international examples
- Partnership projects with the International Longevity Centre and with Counsel and Care

On financial health, activities will include:

- Setting up a Financial Health Forum to bring together high-level stakeholders to promote financial health issues
- Monitoring the development of the Money Guidance Service and financial capability more broadly

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On low earners and the mixed economy, activities will include:

- Party conference events on low earners to raise their profile as a politically significant group
- Collating existing evidence on low earners and the mixed economy and identifying priority reform areas to feed into future work

In order to achieve our objectives, we also need to build the capacity of the staff team and to establish ourselves in new premises. This will include:

- Recruiting three new members of staff
- Managing the move to new premises, and communicating this externally
- Setting up separate payroll, HR policies and financial procedures
- Refreshing our brand, website and communications

FINANCIAL REVIEW

The financial statements show incoming resources for the year of £431,109 with resources expended in the year of £659,834. (The charity received a £400,000 donation on the last day of the previous financial year.)

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 and 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 year. The charity pays a fee to Resolution Management Services for using its premises and for certain office services.

At 30 September 2007, the charity had free reserves totalling £148,897. 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.

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. In autumn 2007, Mr Cowdery established the Resolution Trust, the primary purpose of which is to provide on-going funding for the Resolution Foundation. The Resolution Trust has agreed to fund the Foundation's planned budget for the next three years.

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- Evolving from its initial goal. The charity is complementing its work on financial advice/capability with a new theme of work on social care for older people. The charity has undertaken extensive consultation to identify where it can add value, and is communicating the evolving scope of the Foundation's work to external stakeholders.
- Changing premises. The charity will be leaving Juxon House in May 2008 to move to new premises in Fulham. The move is being project managed to ensure the Foundation's work can continued uninterrupted. The move will be communicated to all the charity's contacts.

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 year and of the profit or loss of the charitable company for the year. 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 year ended 30 September 2007, 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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We have undertaken our audit in accordance with the requirements of APB Ethical Standards including the APB Ethical Standard – Provisions Available to Small Entities, in the circumstances set out in note 5 to the financial statements.

Unqualified opinion

In our opinion:

- 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 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year 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	2007 £	2006 £
INCOMING RESOURCES			
Donations		419,408	1,300,000
Bank interest		11,701	2,863
TOTAL INCOMING RESOURCES		<u>431,109</u>	<u>1,302,863</u>
RESOURCES EXPENDED			
Charitable activities	2	653,959	918,191
Governance cost	2	5,875	7,050
TOTAL RESOURCES EXPENDED		<u>659,834</u>	<u>925,241</u>
NET (RESOURCES EXPENDED) / INCOMING RESOURCES FOR THE YEAR		(228,725)	377,622
Funds brought forward at 1 October		<u>377,622</u>	<u>-</u>
Funds carried forward at 30 September		<u>148,897</u>	<u>377,622</u>

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BALANCE SHEET
AT 30 SEPTEMBER 2007

	Notes	2007 £	2006 £
CURRENT ASSETS			
Debtors	3	2,350	110,000
Cash at bank		<u>307,893</u>	<u>715,711</u>
		310,243	825,711
CREDITORS: amounts falling due within one year	4	<u>(161,346)</u>	<u>(448,089)</u>
NET CURRENT ASSETS		<u>148,897</u>	<u>377,622</u>
TOTAL ASSETS		<u>148,897</u>	<u>377,622</u>
FUNDS			
Unrestricted funds		<u>148,897</u>	<u>377,622</u>

The financial statements on pages 12 and 13 were approved by the Trustees on 30th June 2008 and signed on their behalf by the Chairman

Chairman

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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

	2007	2006
	£	£
Charitable activities		
Consultants	134,628	362,020
Research and development	195,495	220,767
Staff costs – salaries	230,840	179,582
– social security	27,878	16,232
– other expenses	6,079	2,220
Events and publications	26,146	80,855
Rent	23,500	31,726
Marketing	1,986	5,739
Other expenses	7,407	19,050
	653,959	918,191
Governance costs	5,875	7,050
	659,834	925,241

Governance costs comprise audit fees of £4,700 (2006 - £4,500) and other fees payable to the auditors for accountancy services of £300 (2006 - £1,500), plus VAT.

No corporation tax liability arises as the Foundation is able to take advantage of the tax relief available to charities.

None of the trustees received any remuneration or reimbursed benefits.

One employee (2006 – one employee) received emoluments as defined for taxation purposes of between £70,001 and £80,000 in the year.

	2007	2006
	No	No.
Excluding trustees, the average monthly number of employees during the year was	4	3

3. DEBTORS

	2007	2006
	£	£
Tax recoverable	-	110,000
Prepayments	2,350	-
	2,350	110,000

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	2007	<i>2006</i>
	£	£
4. CREDITORS: amounts falling due within one year		
Accrued expenses	<u>161,346</u>	<u><i>448,089</i></u>

5. ADDITIONAL AUDIT SERVICES

In common with many other charities of our size we use our auditors to assist with the preparation of the financial statements and to prepare and submit returns to the tax authorities.