

**THE LEGAL EDUCATION FOUNDATION**

**ANNUAL REPORT & ACCOUNTS**

**YEAR TO 30<sup>TH</sup> JUNE 2019**

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## **FOUNDATION DETAILS**

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### **CHARITY REGISTRATION NUMBER**

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### **PRINCIPAL PROFESSIONAL ADVISERS**

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## REPORT OF THE GOVERNORS FOR THE YEAR ENDED 30 JUNE 2019

### CONSTITUTION

The Foundation is an educational charity incorporated in 1962 and granted a Royal Charter in 1975.

The ultimate control of the Foundation is vested in the Governors who are also its Trustees. They are appointed by the Members of the Foundation who are the current Governors together with those who were Governors within the previous five years and have not resigned as Members.

### OBJECT

The Object of the Foundation, as set out in its Royal Charter, is:

***“To promote the advancement of legal education and the study of law in all its branches”.***

This is achieved by our Strategic Objectives as set out in the following pages.

### PUBLIC BENEFIT

The Governors confirm that they have referred to the Charity Commission’s guidance on Public Benefit when considering the Foundation’s aims and objectives, in planning future activities, and setting its grant making policy. The Strategic Objectives, listed on page 3, provide more detail on the benefit that the Foundation’s activities provide to the public.

### VISION

We believe that the law plays an essential role in supporting civil society, economic development and democracy. Our vision is of a society where everyone understands the role and value of the law and has the capability and opportunity to use it to ensure their rights and to fulfil the obligations that accompany these rights.

### MISSION

Our charitable purpose, set out by Royal Charter, is to “promote the advancement of legal education and the study of law in all its branches”. We do this so that those working in legal services can be equipped to meet legal needs to the highest standards and reflect the diversity of our society. We also do this so that individuals and organisations with legal needs can learn how to use the law so as to secure fair treatment and protection.

### VALUES

- We see the Foundation as part of a mutual endeavour, establishing engaged and supportive relationships with others around our Vision and Mission, sharing expertise, building alliances and bringing people together.

- We seek to listen and learn. We underpin our work with good information and analysis, continually building our knowledge of the field, helping those with whom we work to examine the results of their work robustly and assessing critically the aggregate impact of our work.
- We seek to be a trusted voice, using our knowledge, networks and independence to influence those who can effect change.
- We recognise that one of the greatest assets the Foundation has is freedom. This enables us to be bold, to support work that others cannot, or do not, and to take a long-term view.
- We recognise that the assets of the Foundation exist because of the historical efforts of many people and that we must use the opportunity this has created to best effect. This means marshalling and deploying our resources thoughtfully and, as an organisation, maintaining the highest standards of operational and administrative efficiency.

## STRATEGIC OBJECTIVES 2016 – 2020

We support all areas of legal education where this advances the following Strategic Objectives:

### **1. To increase public understanding of the law and the capability to use it.**

We want to support people of all ages to build broader legal knowledge and capability. Helping people to learn about when problems may have a law-related solution and about how to be confident in pursuing this or securing help to do so means that beneficial opportunities to use the law are not missed. We recognise that having the capability to use legal knowledge inevitably involves tackling how people interact with the legal system and how the system can, in turn, learn about how to be accessible, efficient and effective.

### **2. To advance high quality thinking, training and practice in legal education and legal services so as to ensure legal needs are met.**

We want to support work that explores ways of meeting legal needs in effective, sustainable ways and at scale. This may involve a range of areas including training for lawyers and legal service providers in areas of law where needs could be better met, as well as helping to learn about developing delivery models, income streams collaboration between legal services organisations and with others outside the legal sector, early intervention and proactive use of the law as well as the replication of approaches that are working

### **3. To increase access to employment in the legal profession and, in particular, to advance social mobility and diversity.**

We want to ensure that people are attracted to, and are able to, pursue careers in legal services at all levels, particularly to reflect the diversity of the population. We believe that it is vital to support the next generation of skilled and committed people who will ensure that the law plays the role set out in our vision.

In response to current developments and opportunities the Foundation has also identified the following areas of focus and interest where grant applications are encouraged;

**(i) To support civil society engagement with constitutional and rule of law principles in relation to the exercise of executive power and Brexit.**

Following the decision to leave the European Union, the UK has recently experienced and continues to undergo a number of constitutional changes, with consequences for public law and the rule of law. The Foundation is interested in receiving applications that explore the implications for the areas covered by our strategic objectives through constructive engagement by civil society with constitutional, public law, and rule of law questions. The Foundation is also interested in applications for work to address the rule of law and public law challenges relating to government use of data processing for government decisions.

**(ii) To develop the role of social welfare legal advice needs in health settings through legal education with health professionals and development of models to expand the provision of services.**

We want to explore methods of integrating and embedding social welfare legal services in places where people most need them and at the earliest opportunity. The Foundation is committed to exploring this further and to finding effective models that work for clinicians and social welfare specialists and, most of all, for patients.

**(iii) To influence the development and operation of the online court in a manner that maximises the ability of individuals to secure just outcomes in relation to their rights and protections**

In addition to funding direct legal education activities relating to the above, the Governors recognise that the following approaches can contribute to the progress of all of the above objectives.

**1. Research to develop a robust evidence base of needs in each of the areas above and of effective ways of meeting these needs.**

We want to build robust evidence of needs and of effective legal education and legal services that meet these needs. This will include understanding more about the nature of needs amongst individuals and organisations and the environment in which these needs exist; finding existing good practice and examining how it works; rigorously examining the outcomes of our own work and capturing and sharing evidence so that it is widely acted upon.

The Foundation has been undertaking a scoping exercise to assess the feasibility of a Justice Lab for Civil and Administrative Justice. As a result, it has not been accepting applications for research grants under the open programme.

**2. Work to understand the role that technology can play in achieving these objectives.**

We believe that information technology has an important role to play in achieving our Strategic Objectives. As such, this work operates across our entire grants programme. With funding for legal services under pressure, IT will continue to be a primary way of increasing capacity by improving both the reach and productivity of the sector. Examples of where the Foundation has assisted organisations to expand the use of IT can be seen on the IT grants page of its website.

**3. Work on law reform, policy and regulation to create a supportive environment for the delivery of these objectives.**

We recognise that the legal, policy and regulatory framework can enable or inhibit the understanding and use of the law. Civil society often plays an important role providing expertise and evidence to policymakers and regulators. We are keen to support such engagement where these areas directly impact upon the Objectives that the Foundation pursues.

**4. Communications activity to disseminate learning and to create a supportive environment for the delivery of these objectives.**

We believe that a vital skill for individuals and organisations committed to legal education is the ability to communicate clearly and powerfully, with key local and national audiences.

We think that communication and legal skills are complementary to each other. We encourage efforts to help people understand and use the law, not just inside the courtroom or classroom, but beyond – to the media, politicians, policymakers, and others.

Whether supporting a client to navigate through a legal process, or bringing a challenge in the Supreme Court, we believe it is important for lawyers to understand the value of being able to explain how often complex legal issues affect the lives of ordinary people.

We assist grantees to bring in communications expertise, where needed, and by providing direct assistance, via communications consultants, who have considerable experience in the legal and social justice sector.

When considering the allocation of funds, the Governors take into account the following criteria in deciding what to prioritise:

- Degree of need: areas which are either under-resourced, underdeveloped or underestimated and where there is a clear need for external support.
- Degree of benefit: areas where an intervention can make a considerable difference and or where the potential benefits are widespread and sustainable on a large scale either immediately or over time.

## **ACHIEVEMENTS AND PERFORMANCE DURING THE YEAR**

Last year the Governors set four main areas of focus for the year.

- Continue the open grants programme and also to encourage appropriate applications in the identified Theme areas.
- Complete the work on the feasibility of establishing a What Works Centre for Civil and Administrative Justice.

- Continue to work with other organisations to strengthen and develop areas of common interest.
- Undertake the work to consider and agree the key areas for development to incorporate into a Business Plan for the period 2020- 2025.

Details on progress in delivering our Strategic Objectives during the year as well as our plans for the next year are set out below.

## GRANTS PROGRAMME SUMMARY

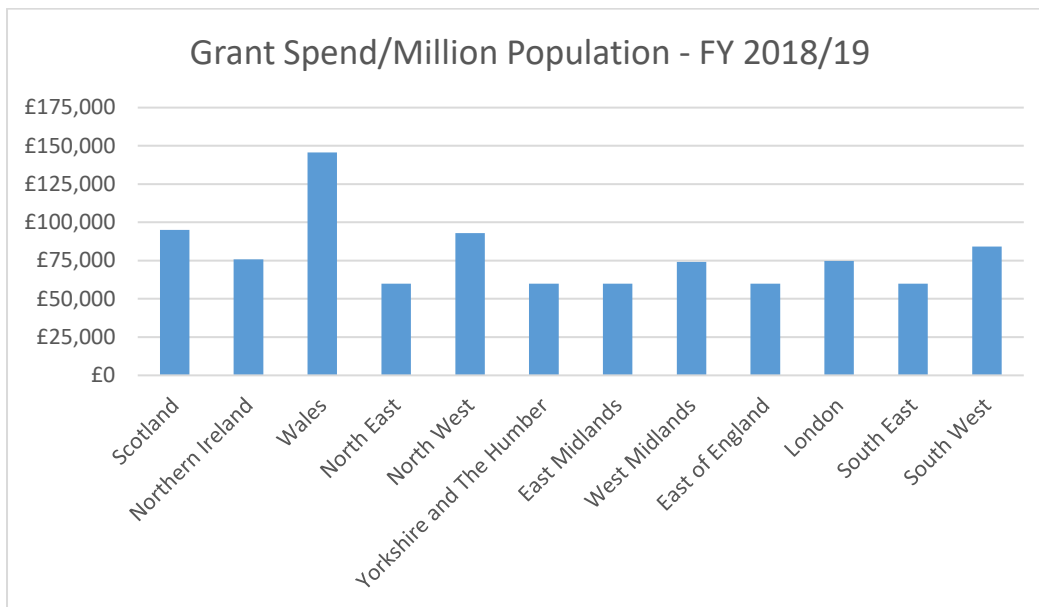
In total 80 grants to the value of £6,026k have been made in the year to 30<sup>th</sup> June 2019. This compares to 92 grants to a value of £5,720k in 2018. Of this total, £ 407k (2018 £333k) of grants were made from Restricted Funds co-ordinated or overseen by the Foundation.

Overall, excluding the Justice First Fellowship programme, 51% by number and 54% by value of grant applications were met during the year. An analysis by Strategic Objective is provided below and a note of each grant and recipient is given in Note 17 to the accounts. Further details can be found on our website [www.thelegaleducationfoundation.org](http://www.thelegaleducationfoundation.org).

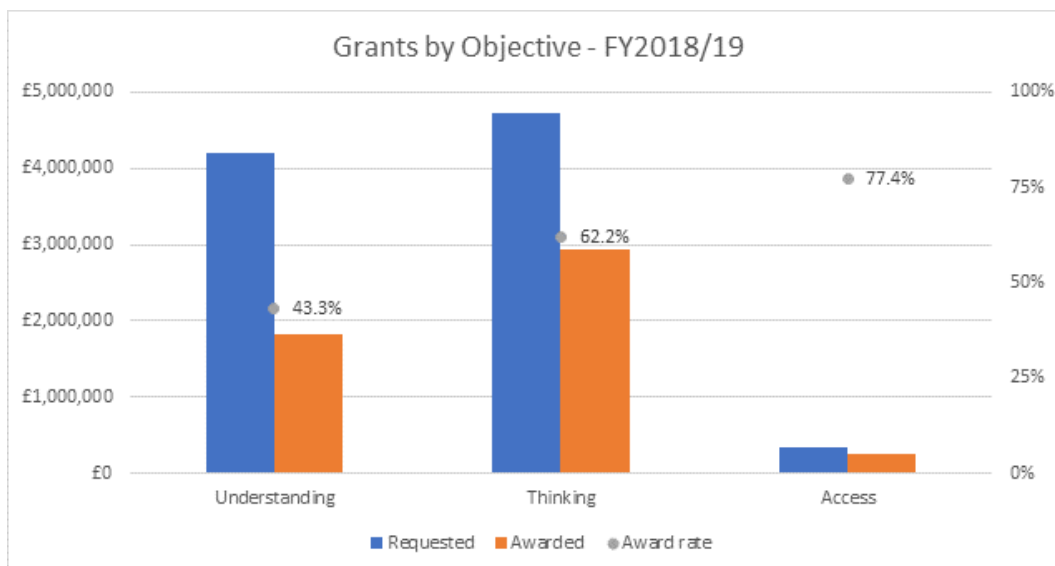
	<b>2019</b>	<b>2018</b>
	£'000s	£'000s
Increase public understanding of the law and the capability to use it.	1,815	2,076
Advance high-quality thinking and practice in legal education and legal services so as to ensure legal needs are met.	2,558	2,008
Increase access to employment in the legal profession and in particular to advance social mobility and diversity.		
<ul style="list-style-type: none"> <li>• Justice First Fellowship</li> </ul>	1,396	1,228
<ul style="list-style-type: none"> <li>• Other grants</li> </ul>	257	408
	<b>6,026</b>	<b>5,720</b>



## Geographical Analysis (excluding Justice First Fellowship)



## Objective Analysis (excluding Justice First Fellowship)



## Grant Making Approach

In order to maximise the impact of our grant making it is a central part of the Foundation's work that our staff meet and discuss with potential grant applicants their planned project. We encourage them to provide an outline of their project proposal in order that we can advise on how best it might meet the Foundation's strategic objectives and criteria for awarding grants. Further meetings and discussions take place during the period when a grant project is being undertaken and we receive regular progress reports during this implementation period. We also analyse all final grant reports from grantees in order to learn lessons of what went well and what not so well; these are vital to our efforts of continual improvement and to guide new grantees in their project planning.

During the year a survey was undertaken of grantees to try to establish how we could improve the experience for them of working with us. As a relatively new grant making organisation we were overall pleased with the positive feedback particularly in the impact that organisations say that our grants enable them to have. There were however some areas where grantees considered that we could improve and we have made changes to the way we operate to enhance support for them. Wider lessons from the survey, including the need for core funding and non-monetary support, are feeding into the development of our new five-year strategy for 2020-2025.

All grants that have been made by the Foundation are listed in the Funded Grants section of our website. Those considering making a grant application can see the type of grants supported, the area covered, and can also see to whom each grant was made so that they can take the opportunity to contact those organisations and discuss their planned project. In this way grant applicants can plan how they might both build on existing experience and avoid duplication of effort.

This year's regional reception was held in London. As always we were delighted with the number of people who attended from the legal advice community and others interested in our work. We were also grateful for the number of grantees who took the opportunity to have a stand at the event to explain the work that they were doing. This is an important way for the Governors of the Foundation to meet the representatives of the sector, to discuss the issues they face and see for themselves the impact of the grants programme.

## **MAJOR PROGRAMMES**

As well as awarding grants to organisations through the open application programme, the Foundation has developed its own programmes and proactive initiatives. The major programmes this year include,

### **(a) The Justice First Fellowship Scheme**

This Scheme was established in 2014 to help to create the next generation of social welfare lawyers following changes to funding schemes that meant that advice organisations were no longer able to invest in taking trainee solicitors or pupil barristers and were thus in danger of failing to create the next generation of social welfare lawyers. By June 2019 there were 66 Justice First Fellows working in the four countries of the United Kingdom. 33 have now qualified as solicitors or barristers. A further 19 Fellows are planned to be appointed to start their training in January 2020 bringing the total number to 85.

In addition to their professional training there are two key components of the Fellowship. Firstly, Fellows must undertake a project that will advance access to justice, ideally in a way that is scalable and sustainable. The project is an important dimension of the Fellowship, giving Fellows the opportunity to develop wider non-legal skills that will be essential as their careers develop. It also gives the host organisation some additional capacity to develop a new area of work that could potentially contribute to the salary of the Fellow after the Scheme funding comes to an end. This works best when the project is aligned with the ethos of the Host organisation rather than being about developing an area that stands apart from what the organisation is already seeking to achieve.

Secondly, Fellows are also brought together every six months during their training contract period to receive further specialist training in areas such as leadership, communications, fund raising, time management, use of IT and project planning. We have also instigated an introductory session on

self-care, burn out and vicarious trauma with a focus on awareness raising and preparing strategies for managing caseloads as a new practitioner in social welfare law.

The programme's aim is to develop the next generation of lawyers and leaders in the social welfare legal advice sector of the profession. We therefore see Fellows learning and development extending beyond the time when they complete their initial qualification professional training. This includes,

- **Learning Exchange**

We have taken the first two Cohorts of those who have qualified on a "learning exchange" to New York. This was structured as a leadership programme where the Fellows saw the work being undertaken by various organisations involved in aspects of interaction with the legal system, education and representation and met leaders involved in these fields including judges. The exchange was also intended to increase the Fellows' ability to use the law and to identify why and how to collaborate with other organisations. A learning exchange is planned to be a regular feature for future cohorts of Fellows.

- **Higher Rights of Audience**

We have organised the first cohort of qualified Fellows to undertake the Higher Rights course and examination. We are evaluating how this can best fit into the continuing development programme of Fellows.

- **Networks**

We encourage Fellows to keep in touch with each other and to create support networks. The JFF scheme has benefited particularly from developing collaboration with the Young Legal Aid Lawyers network. Also, each year we hold an annual dinner to welcome the new Fellows and their Hosts, to celebrate the completion of their obtaining their professional qualification for those who have completed this stage of their career and to renew and strengthen contacts amongst Fellows and Hosts.

Two of the major independent funders, City Bridge Trust and BBC Children In Need, have co-funded Fellows with us on the basis of cohorts of Fellows specialising in their areas of interest; access to advice in London in one case and children's legal advice in the other.

The first six cohorts of the Fellowship the Scheme have attracted £2 million in co-funding to add to the Foundation's commitment of £4.6 million. Major funders, in addition to the two mentioned above include AB Charitable Trust, Esmée Fairbairn Foundation and Unbound Philanthropy. London law firms Allen & Overy LLP, Herbert Smith Freehills LLP and Linklaters LLP have each sponsored a Fellow alongside the Foundation and we have also gained financial support for the Scheme from a group of law firms in each of Birmingham and Bristol. Royal Bank of Scotland has joined with the Foundation to fund two Fellowships at Govan Law Centre in Glasgow and the Council of the Inns of Court has contributed towards the cost of six pupil barrister Fellows with a seventh starting their pupillage in October 2020.

The Scheme is now well established, as is the impact of having a growing number of qualified lawyers in this sector of the profession. We have been delighted by the number who have been able to stay in the advice sector after qualifying and are hopeful that funding will be forthcoming for them to develop career long roles.

## (b) Health Justice

Three key areas of development this year have been,

(i) **A National Strategy for Health Justice.** Further funds have been awarded to University College London to explore the development of a national strategy for integrating access to social welfare legal advice in health settings. The additional grant has been to enable the appointment of a suitably experienced executive director who is able to operate across a wide range of stakeholders.

The strategy will be a joint programme between UCL Laws and UCL Population Health Sciences which will help to boost its credibility with health audiences as well as UCL itself which strongly values inter-disciplinary activity.

(ii) **Life Story Network.** This project is working to embed legal services in the work of Dementia United. Life Story Network has undertaken excellent work to engage Dementia United, the Dementia Law Clinic at University of Manchester and the Admiral dementia care nurses, and to get access to legal information and advice onto the agenda for dementia services. The approach to map legal needs to the stages of dementia is very compelling and a very practical example of how legal needs arise as a result of illness.

The project will focus on senior influencing, making the clear link between the proposed activities and the potential to shape health policy and system design. It has a strong focus too on evaluation. An additional dimension is the principle of being driven by the lived experience of carers. The wider development of Life Story Network into other areas of the UK also supports work to scale the potential impact beyond Greater Manchester.

iii) **Maternity Action.** This project is integrating maternity rights into health services. It will develop a strategy aimed at bringing about long-term health funding for integrating legal services into the commissioning and funding of health services, working specifically in the area of maternity rights at work and maternity benefits.

This builds on Maternity Action's success in getting legal advice services on maternity rights onto health agencies' agendas and points to wider opportunities through the Prevention Green Paper (Public Health England), the expansion of social prescribing and the NHS Long Term Plan. The project has a clear focus on influencing policy and health systems and on the need to develop evaluation methodologies to meet health service expectations for outcome data.

## (c) Social Mobility and Diversity in Employment in the Legal Profession

The Foundation has continued to fund three main programmes.

- (i) **Pathways to Law** which is managed by Sutton Trust and is aimed at 16/18-year olds from less advantaged backgrounds to help them consider and prepare for University.
- (ii) **Horizons programme** which is funded by City solicitors' organisations and individual firms and is targeted at those at university and provides work experience, mentoring and other guidance to prepare for a career in law.
- (iii) **The Justice First programme**, which is referred to earlier, which funds training contracts and pupillages in the social welfare legal sector.

Probably the most important development in the field of social mobility in the legal sector for some 50 years has been the work by the Solicitors Regulation Authority to restructure the route to professional qualification. This will replace the Legal Practice Course (LPC) and Training Contract with the two-part Solicitors Qualifying Examinations and work experience. The training contract was always a bar to social mobility as most students had to pay course fees (up to £17,000) for the LPC without any certainty of obtaining a training contract. In future studying and undertaking training whilst in paid employment will become the norm which brings law into line with most other professions.

## Research and Learning

The principal objectives of the Research and Learning programme this year have been:

### **1. Continue to promote the Foundation as a source of funding for research through attending relevant conferences and meetings and disseminating outputs of research widely.**

The profile of the Foundation has been raised significantly amongst research audiences in the UK and abroad. The Foundation's Director of Research and Learning (DRL) presented a paper on evaluating justice and fairness in on-line courts at a plenary session of the Organisation for Economic Cooperation Development conference on access to justice in Lisbon in March. The paper was also delivered by the DRL at the World Justice Forum in the Hague in April and at Yale School of Law in May.

In the UK, the DRL is a member of the Litigants in Person Engagement Group, is a member of the Administrative Justice Council and of the BBC expert women panel. She also chaired a panel at the DLA Piper/PILNet access to justice Summit in London and has been appointed a peer reviewer for Innovate and has been engaged by the Ministry of Justice to support its evaluation activities in relation to the Legal Support Action Plan.

Direct funding of research this year has been lower than in previous years, but we believe has been highly strategic and effective.

### **2. Scope the development of a TLEF justice lab**

The concept of a Justice Lab (previously called a What Works Centre) has arisen as a result of the Foundation's response to delivering the ambitious research and learning agenda that we have set ourselves. Support for establishing such a centre has been welcomed by leaders in access to justice in the UK and in other jurisdictions.

The three key potential functions of a lab would be,

(i) To advocate for the collection, publication and linkage of administrative and civil justice system data with sources of administrative data.

The Courts Transformation Programme has offered an unprecedented opportunity to address fundamental questions about how we learn about the justice system. The Foundation's early work on this uncovered the absence of a robust data and evaluation strategy surrounding court reform and the absence of a plan on the part of HMCTS and Ministry of Justice to address this. Given the limited window for influencing and the rapid pace of reform, it was decided to prioritise work on this function.

An international network of academics and senior members of the judiciary was convened at UCL in May 2018 at *The Future of Justice: harnessing the power of empirical research* conference. The strategic influencing undertaken with officials, parliamentarians, senior judiciary, sector representatives and others following this led to securing the commitment from HMCTS on data collection and then directly to the secondment of the Foundation DRL as Independent Expert Advisor on Open Data and Academic Engagement. In the course of this secondment, the DRL pursued an approach of engaging specialist stakeholders via a series of seminars at UCL and University of Oxford which led to robust and authoritative outputs that were drawn together and published. This secured commitment by HMCTS to collect key data points that had been identified. The next key stage in the process is publication of a report and recommendations by the DRL. We look forward to the HMCTS response and commitment to implementation.

(ii) Conduct and commission quantitative research

Following the decision to focus on the opportunity arising from the secondment of the DRL to HMCTS, work on this function has paused although a considerable amount has been done in preparation not least because the progress on function (i) above facilitates the delivery of this function over time.

(iii) Build capacity to undertake robust interdisciplinary research into the civil and administrative justice system

The conferences and seminars mentioned above have helped the Foundation to establish and develop international networks of researchers and develop relationships with key organisations such as the Turing Institute, ESRC, Pew Charitable Trusts, the Harvard Access to Justice Lab, World Justice Forum, Hague Institute for the Internationalisation of Law, UCL, University of Oxford, LSE and NESTA.

A TLEF-funded Research Fellow is in place at the Bonavero Institute, University of Oxford and the Foundation continues to provide support to him.

This function of the Lab work programme aligns with the wider thinking underway on the TLEF strategy to address access to careers in the law, specifically here in relation to interdisciplinary legal research.

### **3. Continue to research and publish resources using the TLEF Research and Learning section of the website**

We have continued to develop this resource and to use it to cover three main areas,

- Funded research
- Peer review publications
- External reports

We are grateful for Joshua Rosenberg for his insights into the Online court which are published here.

#### **4. Ensure ongoing reporting to the Grants Committee on the outcome of grants.**

A framework for reporting to the Grants Committee encompassing outputs, outcomes, strength of evidence, reflective practice and sustainability has been developed. This continues to give the Foundation insights into ongoing challenges grantees have around robustly evidencing outcomes and encouraging reflective practice. This has informed our work on the new strategy and on how we make grants.

#### **Support civil society engagement with constitutional and rule of law principles in relation to the exercise of executive power and Brexit**

The Foundation has expanded its work and profile in this area over the last year largely through the work of the Foundation's Head of Policy and Public Affairs (HPPA). This has covered two broad areas.

##### **(i) Law Reform associated with the United Kingdom leaving the European Union (EU)**

This has been a continuation of the work undertaken last year. The Foundation is neutral regarding the decision of the United Kingdom to leave the EU (meaning it is neither "for" or "against" it). Its work in this area is to support its first two Strategic Objectives by:

Enabling civil society organisations to understand and engage in the Brexit process in order that the needs, rights and interests of their beneficiaries are reflected in the legal framework that emerges post-Brexit by:

- building and contributing their technical legal expertise to parliamentarians, government officials and relevant organisations outside government involved in the Brexit process; and
- helping, via legal education, individuals affected by Brexit to manage the implications of the UK leaving the EU.

The Foundation convened a conference at Ditchley Park in September that brought together grantees, academics, funders and parliamentarians from both Houses as well as other representatives from the four nations of the UK, Brussels and the Republic of Ireland. The purpose was to promote understanding of the UK constitution, rule of law principles and legislative framework and processes in the UK during and after exit from the EU. Further work to coordinate grantees has continued throughout the year.

The HPPA has spoken at a number of civil society and expert forums during the year including at a meeting of the All-Party Parliamentary Group on Brexit and giving evidence to the Exiting the European Union Select Committee. Further papers and presentations were undertaken whilst on secondment to the Bingham Centre for the Rule of Law.

##### **(ii) Government use of data processing in the administration of welfare systems**

A new area of focus this year, this work has also been led by the Foundation's HPPA. Evidence was submitted to the House of Commons Science and Technology Committee inquiry on Digital Government and the HPPA also participated in a number of workshops, round tables and report launches including one organised by the Information Commissioners Office and Alan Turing Institute on new ICO guidance to help organisations explain decisions made by AI systems. A

briefing paper was produced for the APPG on the Rule of Law regarding data processing and the rule of law. A meeting was convened between Child Poverty Action Group, data and technology experts and other funders, to discuss the impact of data processing systems in welfare on transparency and individuals' legal protection. A further paper was produced for the Data for Policy conference, a global forum for interdisciplinary and cross sector discussions on the impact and potential of the digital revolution in the government sector. This is an area where the Foundation will be contributing further work in the future.

### **Strengthening the Legal Advice sector**

As can be seen from the list of grants made this year the Foundation has continued its work to strengthen this sector as part of its overall Object of the furtherance of legal education. A sound infrastructure, good information delivery systems and well informed and trained staff are pre requisites to the maximisation of the provision of legal education in its widest sense.

In particular, in addition to the initiatives set out elsewhere, we have assisted organisations to,

- Consider their strategies for maximising their organisational efficiency.
- Improve their information technology infrastructures.
- Develop training programmes of legal knowledge.
- Improve the availability of legal information mostly through websites.
- Pilot new ways of providing access to legal knowledge.
- Develop structures for improving the availability of legal information.

### **GRANT APPLICATIONS**

The Governors have agreed that in the year to 30<sup>th</sup> June 2020 there will be two grant application windows. The first will be a by invitation only round which requires applicants to submit proposals by 18<sup>th</sup> September 2019 and the second an open round, the first round for the new Strategic Plan, by 10<sup>th</sup> April 2020. The main criteria that the Governors follow when considering grant applications are set out under the section Objectives 2016-2020 on pages 2 to 4 in this report.

Details regarding the process and timetable for grant application submissions are published on our website <https://www.thelegaleducationfoundation.org/how-to-apply-for-a-grant/apply>

The Foundation website will be updated in early 2020 to reflect the new Foundation Strategic Plan.

### **PLANS FOR THE FUTURE**

The Governors have set out above their Strategic Objectives for the period 2016-2020 and the steps they have taken to deliver it. One of the areas of focus for 2019 has been to undertake the work to consider and agree a Strategic Plan for the period 2020-2025. This work was discussed at each meeting of the Governors during the year and final approval of the Plan was agreed by the Governors at their meeting in early July 2019.

The new Strategic Plan revises and updates the Vision, Mission and Way of working of the Foundation. It also sets out three Objectives for the Foundation over the period of the Plan,



- To strengthen the people and organisations that create the conditions to realise our vision.
- To support constitutional and rule of law principles in the sound administration and development of the law.
- To bring about an enduring commitment to learning and use of evidence in the design and operation of the justice system.

The Plan sets Outcomes for each Objective. Over the course of the coming year Indicators will be formulated and agreed to measure progress in reaching the Outcomes.

In addition to making grants the Foundation will also continue to support grantees to meet our and their objectives. This will include a range of areas of support that will cover,

- Developing
- Learning
- Communicating
- Influencing
- Building alliances

The new Strategic Plan will be publicised in early 2020 and guidance will be given on the Foundation's website and elsewhere to inform organisations in order that they can propose projects for funding.

## **WORKING WITH OTHER ORGANISATIONS**

The Foundation has regular discussions with other grant funders on areas of common interest. There are four main ways in which we work together and each of these has been in evidence this year.

- Learning from their experience.
- Jointly funding projects.
- Contributing to common funds.
- Receiving funding for initiatives developed by the Foundation.

All of these contribute to meeting our Strategic Objectives and the impact we can have. A list of the organisations that have contributed funds to Foundation Initiatives can be seen on Page 46. Foundation contributions to common funds are included in the list of grants made.

## FINANCIAL REVIEW

### Results for the Period

The Financial Statements for the period are set out on pages 31 to 55. These show that the Foundation had Net Income before Investment Gains for the period of £0.2 million (Net expenditure £5.13 million in 2018). If the movements on the provision for an onerous lease are excluded from both years, these figures would be Net Expenditure of £3.1million in 2019 and £2.83m in 2018.

All of the Foundation's assets are held for the purpose of meeting the Foundation's Object.

There were no significant financial events during the year that impacted the Foundation's Strategy for meeting its Objectives. The investment asset allocation is based on being able to deliver a real return of 3.5% per annum over a period of seven or more years. A long period of world equity market decline would however endanger this target and may require the Governors to reconsider their annual expenditure.

### Principal funding sources

The principal source of funds for the Foundation is the return on the Capital Fund. In addition, the Foundation has been awarded Restricted Grants from other organisations to the value of £622k in the year and £1,516k over the last three years.

### Cash Flow and Cash Levels

The Foundation Investment Strategy is constructed on a total returns basis. The Foundation is entirely funded from its investments and grants from other organisations.

In the financial year to 30<sup>th</sup> June 2019 £7.35 million (2018 £7.0 million) was taken from the Capital Fund for grant and operational expenditure.

Cash balances at the 30<sup>th</sup> June 2019 were £20.9 million (£20.2 million in 2018). Of this sum £17.8 million is earmarked for long-term investment (£14.2 million in 2018) and £3.1 million (£6 million in 2018) as working capital.

Part of the working capital is held in a portfolio of short dated corporate bonds. The value of these bonds is included in Current Asset Investments (Note 9) at market value of £4.8 million as at 30<sup>th</sup> June 2019 (2018: £4.9m) although it is the intention to hold each bond until its maturity.

Bank borrowing at 30<sup>th</sup> June 2019 was £nil (£nil in 2018).

The Governors have noted that liquidity levels are projected to remain adequate for all operational and currently planned grant expenditure purposes.

### Treasury Management

Treasury activities are undertaken under defined procedures, which are approved by the Audit Committee, and policies and limits, which are approved by the Investment Committee. The Foundation aims to maximise its return on any liquid funds through the use of short-term fixed deposits, corporate bonds and cash funds subject to the proviso that deposits are only placed with

financial institutions whose credit ratings meet standards approved by the Investment Committee. During the year this was defined as AA long-term credit rating or an institution defined by H M Government as systemically important.

## Pensions

Although the Foundation sold the legal education and training operation of The College of Law on 30<sup>th</sup> November 2012 it has retained full responsibility for the College of Law Pension and Assurance Scheme which is open to qualifying Foundation employees.

The most recent full Triennial Actuarial Valuation of the Defined Benefit Pension Scheme as at 1<sup>st</sup> August 2018 showed a surplus, on the Statutory Funding Basis of £27.5 million. The Pension Scheme Trustees have been continuing a Liability Driven Investment Strategy with the objective of reaching a full Buy-Out basis over the medium term. The assets are invested in Bought-In annuities, Gilts, Leveraged Gilts, Corporate bonds, Asset Backed Credit, Private Credit and cash. Currently no assets are held in equities.

The Foundation uses four measures of pension scheme valuation. The Scheme Actuary has extrapolated figures from the last full Actuarial Valuation, together with actual data where known, to provide the figures set out below:

Basis	30 June 2019		30 June 2018	
	Funding %	Surplus/ (Deficit) £million	Funding %	Surplus/ (Deficit) £million
Statutory Funding	111	25.4	113	27.5
FRS 102 valuation	130	56.2	135	58.1
Solvency	93	(20.5)	93	(19.6)
Pension Protection Fund	134	64.2	139	69.9

## Reserves Policy

It is the Governors' policy to maintain the Fixed Asset Investments, otherwise known as the Capital Fund, at £200 million in real terms based on 30<sup>th</sup> November 2012 and for the Fund to provide a sustainable amount for grant and other expenditure purposes each year over the long term. At the 30<sup>th</sup> June 2019 the value of the Capital Fund was £258.6 million compared to a target maintained real value of £235.8 million. This provides a small cushion following a period of considerable asset growth, which is not expected to continue, and could reduce over the coming years.

The chart on page 19 shows the movement in value of the Capital Fund since inception against this target.

The General Funds, after deducting the Pensions Liability, are the Free Reserves of the Foundation. The balance on Restricted Funds at 30<sup>th</sup> June 2019 was £ 0.4 million (2018: £0.3 million).

	£000s
Total Funds of The Foundation	256,512
Less: Restricted funds	(341)
General Funds	<u>256,171</u>
Less: amount held for Pension Liability	(2,708)
Free Reserves	<u>253,463</u>

It is the Governors' policy that the Free Reserves should increase to reach the value of the Capital Fund over the long term. As the Pension Liability (£2,708k; see Note 15) is expected to reduce as a result of payments over a period of more than 10 years the Governors do not consider that any immediate action to reduce the current shortfall is required.

The Governors and Finance & General Purposes Committee monitor the level of Reserves throughout the year by reference to forecasts provided to them which include calculations and commentary on reserve levels.

## Investment Management and Performance

### Investment Policy

The Foundation's Investment Policy is intended to provide long term stability and liquidity sufficient to maintain the real value of the Capital Fund after transferring funds for grant and other expenditure each year. The Foundation's Investment Policy Statement sets out the parameters within which the Investment Committee and Investment Advisers must operate in order to do this.

### Investment Policy Statement

Based on the value of the Capital Fund at 31<sup>st</sup> January 2019 the Governors approved a total grant and operational expenditure budget of £7.70 million for the year to 30<sup>th</sup> June 2020.

The Investment Policy Statement covers the following main areas:

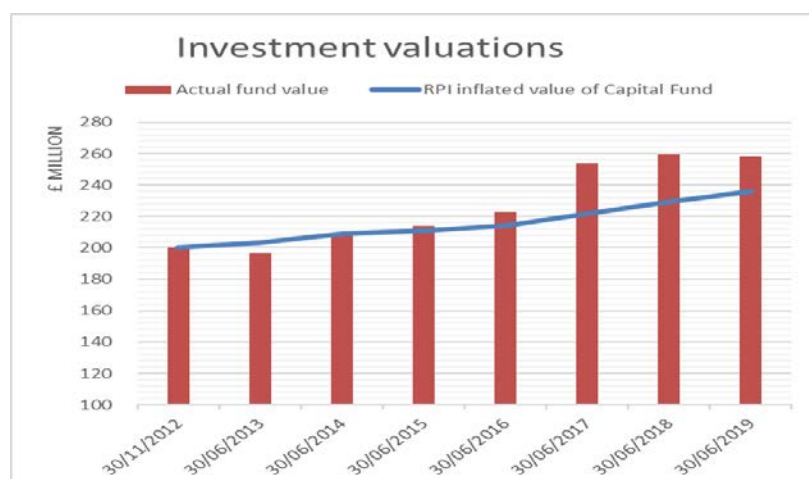
- The intention over the medium term to maintain the real value of the Capital Fund.
- The aim to provide over the long-term an annual sum equal to 3.5% of the Capital Fund for grant and operational expenditure. A sum of £8.0 million has been agreed for the period to 30<sup>th</sup> June 2021 subject to any major change in the Capital Fund value.
- The Foundation's attitude to risk.
- The Strategic Asset Allocation.
- Liquidity requirements.
- The Investment Portfolio is to be managed on a total return basis.

The Investment Committee consider and approve the fund managers recommended by Cambridge Associates to be appointed for each element of the Asset Allocation Strategy.

### Investment Performance

Cambridge Associates prepares each quarter a detailed reporting pack to enable the Investment Committee to monitor performance against selected benchmarks and report on progress to the Governors.

The graph below shows the actual value of the Capital Fund compared to the amount that would be required to maintain its real value. It should be noted that whilst the Capital Fund value at 30<sup>th</sup> June 2019 was ahead of its target the period since its creation is only 6 years and it is likely that there will be greater volatility in future years. The Foundation has also been advised by Cambridge Associates that returns over the next ten years are expected to be lower than in the past owing to the relatively high level from which valuations of Growth assets start.



The table below shows the performance of the investment portfolio against the long-term target. It must be remembered that these periods are less than a full investment cycle and under what have been favourable investment conditions.

Annualised performance over	Actual Gross Return	Target Return (RPI +3.5%)	Over/(under)performance
1 year	+2.7%	+6.4%	-3.7%
3 years	+8.0%	+6.8%	+1.3%
Since inception (2013)	+6.6%	+6.0%	+0.6%

### Asset Allocation

The medium-term target is to have 75% of assets in growth drivers in order to generate the returns set out in the Investment Policy Statement. The current allocation and changes since last year can be seen in the table below.

<b>Asset Class</b>	<b>2019</b>	<b>2018</b>	<b>change</b>
	%	%	
<b>Growth Drivers</b>			
UK Equities	8.7	16.1	(7.4)
Global Equities	52.9	44.9	8.0
Emerging Markets	11.0	10.6	0.4
<b>Total Growth Drivers</b>	<b>72.6</b>	<b>71.6</b>	<b>1.0</b>
<b>Diversifiers</b>	15.4	18.1	(2.7)
<b>Inflation Sensitive</b>	5.1	4.8	0.3
<b>Deflation Hedging (cash)</b>	6.9	5.5	1.4
<b>Total Assets</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>

### Environmental, Social and Governance factors in Investments

The Governors have reviewed whether it was appropriate for the Foundation to adopt an Environmental, Social and Governance Investment Policy. After detailed consideration and a report by the Investment Committee the Governors have decided to strengthen the commitment to ESG factored investment by considering applying to become an Associate Member signatory of the United Nations Principles of Responsible Investment by the end of 2019 with an intention of becoming a full Member within two years. As part of its commitment the Foundation already monitors funds in which it has holdings for their engagement in considering ESG matters and takes these into account when making or managing investments.

Each of the asset managers with which the Foundation has invested take Environmental, Social and Governance factors into account when making individual investments. 14 of these asset managers are signatories to the United Nations backed Principles for Responsible Investment (PRI). As PRI signatories, these managers are required to report on their ESG activity on an annual basis. An annual report on fund managers' work in relation to ESG matters is made to the Governors. It should be noted that the Foundation only invests through funds and not directly in any individual equity holdings.

### Holdings

An analysis of the Capital Fund holdings is provided at Note 7 on Page 41.

## Statement of Governors' Responsibilities

The Governors are responsible for overseeing the preparation of the Annual Report and Accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Foundation and of its incoming resources and application of resources for that period. In preparing these financial statements the Governors are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities Statement of Recommended Practice.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Foundation will continue in existence.

The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Foundation and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the Foundation's By-Laws. They are also responsible for safeguarding the assets of the Foundation and consequently for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors confirm that:

- So far as they are aware there is no relevant audit information of which the Foundation's auditor is unaware.
- They have taken all steps that they believe that they ought to have taken as Governors and Trustees in order to make themselves aware of any relevant audit information and to establish that the Foundation's auditor is aware of that information.

## Risk Management

### Overall

The Governors are responsible for identifying, managing and monitoring the risks facing the Foundation and for mitigating these risks so as to arrive at an acceptable risk appetite.

A Risk Register is maintained that lists and ranks all identified risks via a traffic light system that shows gross and net risk for each identified item of risk. The register also identifies responsibilities for action and the timing of the next review of each risk. A Summary and the full register is considered at each

Audit Committee meeting. The Governors receive the Summary paper at each meeting and consider the full risk register once a year.

The principal residual risks are:

- Loss of key staff
- Long term decline in value of asset portfolio
- Cyber Security

The Governors have taken steps, including implementing systems and procedures, which have been externally reviewed, to mitigate each of these risks to reduce their impact and these are documented in the Risk Register. The main residual risks are listed above. In each case steps have been taken to reduce the likelihood balanced against the cost and impact of reducing these risks further.

The Audit Committee reports annually to the full governing body on internal controls in place.

Insurance cover is reviewed annually with brokers to ensure that, wherever appropriate, risk is covered.

### **Investment Attitude to Risk**

The key risk to long term sustainability of the Foundation is inflation and the assets are invested to mitigate this risk over the long term. The Governors understand that this is likely to mean that investment will be focussed on real assets and that the capital value will fluctuate.

The Governors are able to tolerate volatility of the Capital Fund provided the Foundation is able to meet current expenditure from the real return on its assets.

The Foundation recognises that leverage is an integral part of some investment strategies but acknowledges that this can substantially increase the risk in the Portfolio. Overall leverage is therefore targeted to be modest.

Exposure to any single actively managed fund does not exceed 10% of Portfolio assets. The purpose of this diversification is to provide reasonable assurance that no manager could have a disproportionate negative impact on the Portfolio's aggregate results.

## **Governance**

### **Governors**

The ultimate control of the Foundation is vested in the Governors who are also the Foundation's Trustees. They are appointed by the Members of the Foundation. Day-to-day control of the Foundation is exercised by a Management Team led by the Chief Executive who is appointed by the Governors.

The Governors normally meet five times during the year, with additional meetings taking place if necessary.



The Governors devote each meeting to considering strategic issues in addition to receiving update reports from the Chairs of each Committee and a Progress Report from the Chief Executive.

The Governors undertook a review of their effectiveness during the year and decided that in order for them to devote more time to strategy development and monitoring further responsibilities should be devolved to the Committees.

The Foundation's Financial Regulations specify authorisation limits for budget holders, with material transactions being approved by the Governors or Committees. In addition, formal treasury policies are in place.

The Governors have five Committees to oversee, monitor and approve actions on the major areas of the Foundation's activities and responsibilities. The Terms of Reference of each Committee are reviewed on a regular basis to ensure that they remain appropriate to the Foundation's needs.

The Governors take steps to ensure that they work as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions. They can access independent professional advice, such as legal or financial advice, at the charity's expense if needed.

The Governors and those who served as such at any time during the financial year, together with details of their Committee memberships as at 2nd October 2019 are shown on page 26. Further details on each Governor can be found on our website:

<https://www.thelegaleducationfoundation.org/about-the-legal-education-foundation/governors>

### **Recruitment of Governors**

A skills audit of the Governing Board is undertaken on a periodic basis in order to identify the skills needed in order for the Foundation to be able to consider, monitor and approve its Strategic Plan. Recruitment and re-appointment of Governors is based on this need.

When considering the recruitment of a Governor the Nominations Committee decides the most appropriate method to use to do so. Normally this is by recruitment consultants advertising the role and inviting applications. The Nominations Committee then considers a long-list of candidates and selects a shortlist of applicants for interview before making a recommendation to the full governing Board, which after consideration make a recommendation to the Members.

### **Induction and training of Governors**

All Governors are made aware of:

- The responsibilities of Trustees.
- The Foundation's constitution.
- The latest Financial Statements.
- The Committees and decision-making processes.
- The plan for meeting the Foundation's Object.
- The Organisation's Risk Register.
- The Foundation's Charity Governance checklist.

## Charity Governance Code

The Foundation is committed to good Governance. During the year the Audit Committee has undertaken a detailed review of compliance with the Charity Governance Code. The results of the review have confirmed that the Foundation meets the requirements for good practice. A few areas have been identified where improvements could be considered and the Audit Committee will review these further and recommend any required action.

## Conflicts of Interest

The Foundation's Conflicts of Interest Policy requires Governors, Executives and advisers to declare any interest which could give rise to conflict of interest. They are required to exempt themselves from all relevant decisions which may involve a transaction with a related party or in which they may have a conflict of interest although they can take part in general discussion on the area concerned at Governors meetings. At Grants Committee meetings members of the Committee are required to recuse themselves from both discussion and decision when an item on which they are conflicted is being discussed.

## Fundraising

The Foundation has not entered into contracts with central or local government to deliver services nor has it received grants from central or local government. All Restricted Funds have been received from other Charitable Organisations or Law firms. It does not raise funds from the public and therefore has not subscribed to any fundraising standards or scheme for fundraising regulation.

The Foundation is aware of the regulations and, has nothing further to disclose under the provisions of section 13 of the Charities (Protection and Social Investment) Act 2016.

## Audit Committee

The Audit Committee normally meets three times a year. In addition to the Governor Members there is a professionally qualified accountant external member. The Chair is required to have a wide business background. The auditors, who attend each meeting, also have a separate meeting with the Committee once a year without any Foundation staff present.

The Terms of Reference of the Committee include a critical review of the Annual Report and Financial Statements prior to submission to the Governors for approval, as well as monitoring the effectiveness of the internal control systems and reviewing risk management policies, systems and the Risk Register. The Committee is also responsible for considering the appointment, resignation or dismissal of the external auditors. The Committee makes a written report on its compliance with its terms of reference and on internal controls and the Risk Register to the Governors on an annual basis.

## Investment Committee

The Investment Committee normally meets four times a year. In addition to the Governor Members there is an additional professionally qualified external member.

Its Terms of Reference include overseeing the implementation of the Investment Strategy Policy and monitoring investment performance and recommending the amount to be made available to the Foundation for grant and operational expenditure each year.

### **Finance and General Purposes Committee**

This is a new Committee formed following the review by Governors of their effectiveness, referred to on page 22. The Committee meets at least twice a year and is responsible for reviewing and approving budgets, forecast and other financial projections. It is also responsible for,

- Remuneration and benefits for staff.
- Pension matters.
- Property matters.
- Reserves Policy.
- Such other matters as are referred to it by the Governors.

### **Grants Committee**

The Grants Committee normally meets at least twice a year. It also takes decisions on individual grants by email between meetings and it receives regular updates throughout the year.

The Committee oversees the implementation of the Policy and Criteria agreed by the Governors for the award of grants and considers each application for grant and makes recommendations to the full governing body for any awards of over £200k. The Committee has delegated authority to the Executive to award individual grants of up to £30k with a maximum total amount of all such grants in any one year of £300k. A report on each of these grants is made to the Committee and each grant is reported to the Governors at their next meeting.

The Committee is also responsible for monitoring progress against the Foundation's Research and Learning Strategy and its Policy and Public Affairs strategy and reporting on these to the Governors. It also reviews and approves the planned Annual work plans for each of these areas of activity for the coming year.

The Committee also receives a report at each meeting providing an analysis of each grant final report which measures the effectiveness of each grant. A separate report is made to each meeting regarding any grantee at risk.

### **Nominations Committee**

The Nominations Committee normally meets three times a year. Its main responsibilities are overseeing the processes for assessing the balance of skills, knowledge, experience and diversity of the Governing Board and the recruitment, appointment and re-appointment of Governors as well as the Chairmanship and the membership of Committees. It is also responsible for succession planning.

The policy is for Governors to be appointed for a period of three years with re-appointment being for a maximum of a further six years so that each Governor serves for no longer than 9 years other than in exceptional circumstances. For Governors who were appointed before the College of Law

operation was sold, the period of appointment is regarded to have commenced at the November 2012 AGM.

## Auditors

Following a tender of the statutory audit Grant Thornton UK LLP resigned as statutory auditor on 25<sup>th</sup> March 2019 and the Audit Committee agreed to appoint RSM UK Audit LLP as the Foundation's auditors as from 27<sup>th</sup> March 2019.

## Staff Remuneration

The remuneration of Senior Management, Chief Executive and Deputy Chief Executive and Secretary, were decided following detailed advice from recruitment and remuneration consultants.

Since its formation, the remuneration of Foundation staff has been decided by the Finance and General Purposes committee.

## GOVERNORS

The Governors and those who served as such at any time during the financial year, together with details of their Committee memberships as at 2nd October 2019, are as follows:

<b>Committee membership at 2<sup>nd</sup> October 2019</b>					
	<b>Audit</b>	<b>Grants</b>	<b>Investment</b>	<b>Nominations</b>	<b>Finance &amp; General Purposes</b>
Guy Beringer (Chair)		Chair			Chair
David Armstrong	x				
Rupert Baron			Chair		
Ailsa Beaton		x		Chair	
Timothy Dutton		x			x
Roger Finbow	Chair			x	
Jonathan Freeman	x			x	
Mark Harding (to 28/11/18)					
Sally James (Deputy Chair)			x		
Edward Nally (to 28/11/18)					
Alison Pickup (from 4/7/18)					
Jane Reeves		x		x	
Monica Risam (from 20/2/19)					

In addition, Kirsty Garrison is a professional accountant external member of the Audit Committee and Lord Charles Hemphill is a professional investment external member of the Investment Committee.

### Key Management Personnel

For the purposes of this report the Key Personnel are defined as,

Matthew Smerdon - Chief Executive

Alan Humphreys - Deputy Chief Executive and Secretary

A full list of all current staff members can be found on the Foundation's website.

### Acknowledgements

We would again like to place on record the Governors' thanks to Allen & Overy LLP, Ashurst LLP, Cambridge Associates and Fountain Court Chambers for their very generous provision of meeting facilities and refreshments during the year.

Approved by the Board of Governors on 2<sup>nd</sup> October 2019.



Guy Beringer  
Chairman

## **INDEPENDENT AUDITOR'S REPORT TO THE GOVERNORS OF THE LEGAL EDUCATION FOUNDATION**

### **Opinion**

We have audited the financial statements of The Legal Education Foundation (the 'charity') for the year ended 30 June 2019 which comprise the statement of financial activities, the balance sheet, the statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 30 June 2019 and of its net income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we

have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Governors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Governors' report has been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### **Responsibilities of Governors**

As explained more fully in the Governors' responsibilities statement set out on page 21, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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.

RSM UK Audit LLP

RSM UK Audit LLP  
Statutory Auditor, Chartered Accountants  
Davidson House  
Foxbury Square  
Reading  
RG1 3EU

Date 14 October 2019.

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.



## Statement of Financial Activities for the Year ended 30 June 2019

	Note	2019 General £'000	2019 Restricted £'000	2019 Total £'000	2018 General £'000	2018 Restricted £'000	2018 Total £'000
<b>Income from:</b>							
Investments	2	3,943	-	3,943	3,884	-	3,884
Donations and Legacies	2	-	615	615	-	619	619
Other	2	22	-	22	78	-	78
<b>Total incoming resources</b>		<b>3,965</b>	<b>615</b>	<b>4,580</b>	<b>3,962</b>	<b>619</b>	<b>4,581</b>
<b>Expenditure on:</b>							
Raising funds (investment management costs)	5	171	-	171	151	-	151
Charitable activities	5	6,853	543	7,396	6,641	451	7,092
Other	5	(3,188)	-	(3,188)	2,469	-	2,469
<b>Total</b>	<b>5</b>	<b>3,836</b>	<b>543</b>	<b>4,379</b>	<b>9,261</b>	<b>451</b>	<b>9,712</b>
<b>Net income/(expenditure) before investment gains &amp; losses</b>		<b>129</b>	<b>72</b>	<b>201</b>	<b>(5,299)</b>	<b>168</b>	<b>(5,131)</b>
<b>Net gains on investment</b>	<b>7</b>	<b>2,889</b>	<b>-</b>	<b>2,889</b>	<b>8,662</b>	<b>-</b>	<b>8,662</b>
<b>Net income/(expenditure)</b>		<b>3,018</b>	<b>72</b>	<b>3,090</b>	<b>3,363</b>	<b>168</b>	<b>3,531</b>
<b>Other recognised gains and losses:</b>							
Actuarial (loss)/gain on defined benefit pension scheme	15	(2,222)	-	(2,222)	5,583	-	5,583
Restriction of movement on pension scheme asset	15	2,149	-	2,149	(5,733)	-	(5,733)
<b>Net movement in funds</b>		<b>2,945</b>	<b>72</b>	<b>3,017</b>	<b>3,213</b>	<b>168</b>	<b>3,381</b>
<b>Reconciliation of funds</b>							
<b>Total funds brought forward</b>	<b>14</b>	<b>253,226</b>	<b>269</b>	<b>253,495</b>	<b>250,013</b>	<b>101</b>	<b>250,114</b>
<b>Total funds carried forward</b>	<b>14</b>	<b>256,171</b>	<b>341</b>	<b>256,512</b>	<b>253,226</b>	<b>269</b>	<b>253,495</b>

The Statement of Financial Activities includes all gains and losses recognised in the year. All Income and Expenditure derive from continuing activities.

The notes on pages 34 to 55 form part of these financial statements.

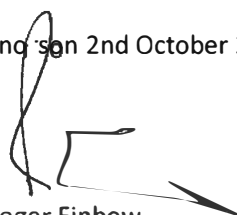
## Balance Sheet as at 30 June 2019

	Note	30 June 2019 £'000	30 June 2018 £'000
<b>Fixed assets</b>			
Tangible assets	6	-	1
Fixed asset investments	7	258,634	259,297
		<u>258,634</u>	<u>259,298</u>
<b>Current assets</b>			
Debtors	8	3,277	839
Current asset investments	9	7,881	10,356
Cash at bank and in hand		25	577
		<u>11,183</u>	<u>11,772</u>
<b>Creditors due within one year</b>	10	<u>(7,748)</u>	<u>(7,882)</u>
<b>Net current assets</b>		<b>3,435</b>	<b>3,890</b>
<b>Total assets less current liabilities</b>		<u>262,069</u>	<u>263,188</u>
<b>Creditors due after more than one year</b>	11	<b>(2,849)</b>	<b>(1,841)</b>
<b>Provisions for liabilities</b>	12	-	(5,199)
<b>Net assets excluding pension liability</b>		<u>259,220</u>	<u>256,148</u>
<b>Pension liability</b>	15	<b>(2,708)</b>	<b>(2,653)</b>
<b>Net assets</b>		<u>256,512</u>	<u>253,495</u>
<b>Funds</b>			
Restricted Funds	14	341	269
General funds	14	258,879	255,879
Less: Pension liability	15	(2,708)	(2,653)
General funds after pension liability		<u>256,171</u>	<u>253,226</u>
<b>Total Funds</b>		<u>256,512</u>	<u>253,495</u>

Approved and authorised for issue by the Board of Governors on 2nd October 2019



Guy Beringer  
Chair of Governors



Roger Finbow  
Chair of Audit Committee

The notes on pages 34 to 55 form part of these financial statements.

## Statement of Cash Flows for the Year ended 30 June 2019

### Cash flows from operating activities:

	Note	2019 £'000	2018 £'000
<b>Cash flows from operating activities:</b>			
<b>Net cash used in operating activities</b>	20	<u>(10,533)</u>	<u>(5,212)</u>
<b>Cash flows from investing activities:</b>			
Dividends, interest and rents from investments		3,954	3,700
Proceeds from sale of investments		23,930	11,382
Purchase of investments and bonds		<u>(20,285)</u>	<u>(13,146)</u>
Net cash provided by investing activities		<u>7,599</u>	<u>1,936</u>
Change in cash and cash equivalents in the reporting period		<b>(2,934)</b>	(3,276)
Cash and cash equivalents at the beginning of the reporting period		<u>6,011</u>	<u>9,287</u>
<b>Cash and cash equivalents at the end of the reporting period</b>		<u><b>3,077</b></u>	<u>6,011</u>

Cash and cash equivalents include cash at bank and in hand £25k (2018: £577k) and cash held in short term deposit accounts £3,052k (2018: £5,434k).

The notes on pages 34 to 55 form part of these financial statements.

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

#### a Principal policies

The Financial Statements of the charity, registered in England and Wales, which is a public benefit entity under FRS 102, are prepared under the historical cost convention as modified by the revaluation of investments and in accordance with the Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (FRS102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (FRS102) and the Charities Act 2011.

The financial statements were first prepared using FRS102 in the year ended 30 June 2016. The functional currency of the Foundation is GBP (sterling). The legal status of the Foundation is that of a Royal Charter Charity.

The accounting policies and estimation techniques have been applied consistently from prior years. A review of the Foundation's activities is set out in the Governors' Report on pages 2 to 15. A review of the financial position of the Foundation, its cash flows, liquidity position and investment position are set out in pages 16 to 20. The Foundation produces an annual Business Plan and the Governors are satisfied that the Foundation can meet its operational plans from its own resources.

The Foundation has considerable liquid financial resources and it also has no borrowings. Consequently, the Governors believe that the Foundation is well placed to manage its operating risks successfully and is a going concern.

The Foundation, through its Investment Committee, reviews at each meeting the credit rating of all institutions with which it deposits funds and reviews the portfolio for credit risk.

#### b Income

Investment income comprises income from investment funds, fixed income bonds, short term fixed deposits and cash funds. Interest on deposits and cash funds is recognised on an accruals basis. Dividends are recognised from the ex-dividend date when they become receivable.

Donation and Legacy income comprises restricted funds received from external donors for specific programmes as disclosed in note 14. This income is recognised when the organisation is entitled to the income, receipt is probable and the amount can be reliably measured.

#### c Investment assets

Investments are valued at closing mid-market prices ruling at the balance sheet date which give rise to unrealised gains and losses during the period. These amounts are included under 'net gains/(losses) on investment' in the Statement of Financial

Activities, which also reflects the difference between the net proceeds from sale of investments and mid-market value at the previous period end.

Net liquid resources comprise cash held in deposit accounts as part of long-term investment planning.

#### **d Depreciation**

All tangible fixed assets costing over £5,000 are capitalised. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life.

Depreciation is charged when an asset is brought into use at the following rates:

Furniture and equipment - 20-50% of cost per annum

Assets that are impaired in value are written down to their impaired value.

#### **e Leases**

Operating lease expenses are charged to the Statement of Financial Activities over the life of the lease on a straight-line basis.

#### **f Expenditure**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

##### **Raising Funds**

This heading includes the investment management costs (currently Cambridge Associates Ltd), the cost of any other advice relating directly to the investment portfolio and an allocation of staff time in dealing with the Foundation's investments on the day to day basis.

##### **Charitable Activities**

The costs under this heading are further split between Grants, Grant making and Research, Other direct costs and Governance in Note 5. Staff costs are allocated to these subheadings based on an estimate of time spent on each activity by the Foundation's staff.

Grants are charged to the Statement of Financial Activities when the award is communicated to the recipient and thereby a constructive obligation arises.

Grant making and research costs include costs of research commissioned and/or carried out by the Foundation, grantee events, costs directly associated with the Justice First Fellowship and Future Advice programmes and an allocation of staff time spent on grant awarding and monitoring.

Other direct costs include office rent and expenses, IT maintenance and website development, insurance and an allocation of staff time spent on support functions including book keeping and statutory reporting.

Governance costs include costs of audit fees and costs associated with the functions of the Governors and the cost of the external advisor to the Audit Committee.

### **Other**

The costs in this heading are explained fully in Note 5.

### **g Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Financial Activities.

### **h Fund accounting**

The Foundation has various types of funds for which it is responsible and which require separate disclosure. These are as follows:

#### *Restricted funds*

Donations or legacies received, or income arising from such, which are earmarked by the donor for specific purposes. Such purposes are within the overall aims of the Foundation.

#### *Unrestricted funds*

Funds are expendable at the discretion of the Governors in furtherance of the objects of the charitable company. In addition to expenditure on grants, such funds may be held in order to finance capital investment and working capital.

### **i Pension costs**

For the Defined Benefit Scheme, the amount charged to resources expended is the current service costs. They are included as part of human resources costs. Past service costs/gains are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs/gains are recognised over the period until vesting occurs. The interest cost and the expected return on the assets are also shown under the relevant category of resources expended. Actuarial gains and losses are recognised immediately in the Statement of Financial Activities.

The assets of the Defined Benefit Scheme are held separately from those of the Foundation, in separate pension trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities.

Where there is a surplus in the Funded Scheme this is considered irrecoverable as the Governors consider it cannot currently be recovered against future service costs or by future refund. Therefore, a restriction is applied to the surplus to exclude it from the balance sheet.

Staff are offered the option of joining a defined contribution pension as an alternative to the defined benefit pension scheme. Contributions to this scheme are charged to the Statement of Financial Activities as they are incurred.

#### **j Value Added Tax**

Expenditure is stated gross of irrecoverable value added tax. Reclaims of Value Added Tax are recognised when the basis of any reclaim has been agreed with H M Revenue & Customs and the amount of any such reclaim can be assessed with reasonable certainty.

#### **k Provisions**

Where contracts become onerous, full provision is made for the estimated future costs of the contract. Consideration is made as to whether discounting future cash-flows would have a material impact and the provision updated accordingly.

#### **l Related party transactions**

Material transactions with related parties are disclosed in the notes to these financial statements. The Foundation's policy is for Governors, Executives and advisers to declare their interest and exempt themselves from all relevant discussions and decisions which may involve a transaction with a related party or in which there may have a conflict of interest. Details of related party transactions as included in Note 18.

#### **m Significant Judgements and Estimates**

The Foundation, in preparing its Accounts, makes judgements and estimates concerning the future that have a significant effect on the amounts recognised in the Accounts in regard to two main areas.

##### **Judgements:**

##### **Onerous Lease**

Until the lease was re-assigned on 9 April 2019 the provision for the Onerous lease was based on judgements regarding the future occupancy and rents payable and receivable for the period to the end of the lease in 2028.

The Foundation kept under regular review, with the assistance of professional advisers, the Mid Town London property market and likely future rents and costs relating to the lease in reaching its estimates.

Following the reassignment of the lease such judgements are no longer required and only known commitments are included in the onerous lease provision (Notes 10 and 12).

## Estimates:

### Pension Scheme

The key assumptions used for FRS102 are agreed by the Foundation on advice from the Scheme Actuary and are listed in Note 15.

## n Financial Instruments

Financial assets and liabilities are recognised on the Foundation's balance sheet when the Foundation becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognised at cost less any relevant impairment for estimated irrecoverable amounts.

## 2. Income

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Investment income</b>		
Income from investment funds	<b>3,659</b>	3,669
Interest on Bonds	<b>163</b>	127
Interest on short term fixed deposits and cash funds	<b>121</b>	88
	<u><b>3,943</b></u>	<u>3,884</u>
<b>Voluntary income:</b>		
Grants	<b>615</b>	619
Other incoming resources	<b>22</b>	78
	<u><b>4,580</b></u>	<u>4,581</u>

Incoming grants are all allocated to restricted funds. Details are shown in Note 14.

The income figures above exclude £513k (2018: £880k) of rental income relating to the property referred to in Note 12. This income has been set-off against matching costs associated with this onerous lease.

## 3. Transactions with Governors and Connected Persons

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Governors' expenses:		
Travel and subsistence	<u><b>2</b></u>	<u>3</u>

The number of Governors who claimed expenses was 5 (2018 - 9). The Governors do not receive any remuneration.



#### 4. Net Income/(expenditure)

	2019 £'000	2018 £'000
<b>Net Income/Expenditure for the year are stated after charging:</b>		
Operating leases – rent of land and buildings	96	78
Fees payable for services provided by the auditor and the auditor's related entities (including irrecoverable VAT):		
<b>Auditor's remuneration:</b>		
RSM UK Audit LLP (appointed 27 March 2019)	27	-
Grant Thornton UK LLP (resigned 25 March 2019)	-	27

#### 5. Analysis of Total Expenditure

	Human Resources £'000	Other £'000	Total 2019 £'000	Total 2018 £'000
<b>Raising Funds</b>				
Investment management costs	27	144	171	151
<b>Charitable activities</b>				
- Grants	-	5,752	5,752	5,700
- Grant making and Research	674	269	943	814
- Other Direct costs	256	360	616	496
- Governance	10	75	85	82
	<b>940</b>	<b>6,456</b>	<b>7,396</b>	<b>7,092</b>
<b>Other</b>				
Pension Scheme and Central Applications Board management costs	63	2	65	118
Other pension scheme charges and adjustments	-	73	73	62
Onerous lease	-	(3,326)	(3,326)	2,289
	<b>63</b>	<b>(3,251)</b>	<b>(3,188)</b>	<b>2,469</b>
	<b>1,030</b>	<b>3,349</b>	<b>4,379</b>	<b>9,712</b>

A breakdown of Grants awarded during the year is given in Note 17 and is referred to in the Governors' Report.

The total Other Direct costs in 2018 of £496k was net of a writeback of a £270k provision relating to the sale of the education operation in 2012.

#### Central Applications Board

The Foundation provided management and administration support for the Central Applications Board Limited (CAB) until 11 August 2018. The staff and office costs incurred by the Foundation

under this contract were recharged to the CAB. The related income (2019: £20k, 2018: £74k) is included in the Other Incoming Resources figure in Note 2.

### Other pension scheme charges and adjustments

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Total operating charge (see Note 15)	<b>1,471</b>	868
Other pension costs	<b>201</b>	160
Less: pension costs included in direct staff costs	<b>(202)</b>	(169)
Restriction to eliminate negative movement on the surplus of the unfunded scheme (see Note 15)	<b>(1,397)</b>	(797)
	<b><u>73</u></b>	<b><u>62</u></b>

### Onerous Lease

The provision on the Onerous lease was increased in 2018 following a review of expected future costs for the period to the lease end date in 2028.

However, the lease was reassigned in 2019 leading to a significant write back in the 2019 accounts. Further information on the lease is shown in Notes 12 and 19.

### Staff Costs

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>742</b>	704
Social security costs	<b>85</b>	81
Pension costs – Defined Benefit	<b>202</b>	169
Pension costs – Defined Contribution	<b>1</b>	-
Temporary staff costs	<b>-</b>	3
	<b><u>1,030</u></b>	<b><u>957</u></b>

The number of employees earning in excess of £60,000 per annum, including their taxable benefits, in bands of £10,000 were:

	<b>2019</b>	<b>2018</b>
£60,001 - £70,000	-	2
£70,001 - £80,000	<b>1</b>	-
£110,001 - £120,000	<b>1</b>	1
£120,001 - £130,000	<b>1</b>	1

The above amounts include as appropriate salary and medical insurance costs (but exclude employer contributions to pension schemes). Of the above staff 2 (2018: 3) are active members of the Foundation's Defined Benefit Pension Scheme, whose contributions are made through salary sacrifice.

The average number of employees, analysed by function, was:

	<b>2019</b>	<b>2018</b>
Central Applications Board	-	2
Foundation	<b>14</b>	11
	<u><b>14</b></u>	<u>13</u>

The average full-time equivalent number of employees was 12 (2018: 11).

### Remuneration of key personnel

Key management personnel are deemed to comprise the Trustees, Chief Executive and Deputy Chief Executive. Their aggregate remuneration in the current year including pension benefit was £276k.

### 6. Tangible assets

	<b>Furniture &amp; equipment £'000</b>	<b>Total £'000</b>
Cost at 1 <sup>st</sup> July 2018	7	7
Additions	-	-
Cost at 30 <sup>th</sup> June 2019	<u>6</u>	<u>6</u>
Depreciation at 1 <sup>st</sup> July 2018	1	1
Provision for year	<u>7</u>	<u>7</u>
Depreciation at 30 <sup>th</sup> June 2019	<u>-</u>	<u>-</u>
<b>Net book value at 30<sup>th</sup> June 2019</b>	<u>-</u>	<u>-</u>
Net book value at 30 <sup>th</sup> June 2018	<u>1</u>	<u>1</u>

### 7. Fixed Asset Investments

	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Market Value at 30<sup>th</sup> June 2019</b>		
Pooled Funds	<b>240,835</b>	245,130
Cash and short-term deposits	<u><b>17,799</b></u>	<u>14,167</u>
	<u><b>258,634</b></u>	<u>259,297</u>

The investment portfolio is held in a range of managed pooled funds to form a diverse portfolio. Cash and short-term deposits include the cash balances considered to be held as part of Fixed term investments known as the Capital Fund.

### Reconciliation of opening and closing market values

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Market values as at 1 <sup>st</sup> July 2018	<b>245,130</b>	226,077
Additions at cost	<b>16,681</b>	21,660
Disposals at cost	<b>(23,930)</b>	(11,027)
Investment gains/(losses)	<b>2,954</b>	8,420
Market value of investments as at 30 <sup>th</sup> June 2019	<b>240,835</b>	245,130
Cost of investments at 30 <sup>th</sup> June 2019	<b>178,598</b>	184,777

### Reconciliation of movements in unrealised gains on investment assets

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Unrealised gains at 1 <sup>st</sup> July 2018	<b>60,353</b>	54,305
Movement in the year	<b>1,885</b>	6,048
Unrealised gains at 30 <sup>th</sup> June 2019	<b>62,238</b>	60,353

### UK and Overseas Holdings: pooled funds

UK holdings	<b>48,499</b>	53,316
Overseas holdings	<b>192,336</b>	191,814
	<b>240,835</b>	245,130

The breakdown of the investments by funds is as follows:

<b>Growth Funds</b>	<b>2019</b>	<b>Share of total</b>	<b>2018</b>	<b>Share of total</b>
	<b>£'000</b>		<b>£'000</b>	
Acadian Global Managed Volatility	16,188	7%	14,836	6%
Arrowstreet ACWI	13,702	6%	-	-
Artemis Institutional Equity Income	12,430	5%	12,562	5%
Blackrock Charitrak	-	-	19,121	8%
Cevian Capital II Ltd	15,809	7%	16,786	7%
Comgest Growth Emerging Markets	8,279	3%	7,786	3%
Generation Asia Fund	8,497	3%	8,451	4%
GLG Japan Core Alpha	4,634	2%	5,053	2%
Heronbridge UK Equity	10,097	4%	10,236	4%
Kiltearn Global Equity	16,917	7%	17,271	7%
Northern Trust Emerging Markets Index	11,557	5%	11,076	5%
Northern Trust World Equity Index	49,616	21%	44,818	18%
Veritas Global Focus Fund	20,066	8%	17,602	7%
	<b>187,792</b>		<b>185,598</b>	
<b>Diversifier funds</b>	<b>2019</b>	<b>Share of total</b>	<b>2018</b>	<b>Share of total</b>
	<b>£'000</b>		<b>£'000</b>	
AQR Style Premia Fund	8,481	3%	10,002	4%
Aviva Multi Asset Fund	4,048	2%	9,706	4%
Barings Global Senior Secured Loan	10,351	4%	10,207	4%
BlueCrest AllBlue Ltd	68	-	68	0%
GMO Systematic Global Macro Fund	8,171	3%	8,737	4%
Newtons Dynamic Bond Fund	8,622	4%	8,245	3%
	<b>39,741</b>		<b>46,965</b>	
<b>Inflation Sensitive funds</b>	<b>2019</b>	<b>Share of total</b>	<b>2018</b>	<b>Share of total</b>
	<b>£'000</b>		<b>£'000</b>	
Charities Property Fund	13,302	6%	12,567	5%
<b>Total</b>	<b>240,835</b>	<b>100%</b>	<b>245,130</b>	<b>100%</b>

## 8. Debtors

	2019	2018
	£'000	£'000
Trade debtors	87	4
Other debtors	944	597
Onerous lease	2,040	-
Loan receivable	-	30
Prepayments and accrued income	206	208
	<u>3,277</u>	<u>839</u>

Loan receivable: An interest free loan of £30k was made to a Grantee in November 2016. The Governors agreed to convert it to a grant in 2018.

Onerous lease: The amount included in Debtors is the balance on an Escrow account held by the Foundation's solicitors which can be drawn down by the lease assignee over a period of 18 months from assignment. See note 12 for more information regarding the Onerous Lease.

## 9. Current Asset Investments

	2019	2018
	£'000	£'000
Cash and cash deposits	3,051	5,434
Short-dated Bond Portfolio	4,830	4,922
	<u>7,881</u>	<u>10,356</u>

A short-dated Bond Portfolio was created in 2018 in order to obtain a better return on working capital than the interest rates available in short term deposit accounts. These funds are allocated to meet committed grant liabilities and operational expenditure.

Losses (realised and unrealised) on the Bond Portfolio totalled £65k (2018: £114k).

## 10. Creditors due within one year

	2019	2018
	£'000	£'000
Grants payable	5,316	5,610
Other creditors	268	351
Income tax and social security costs	30	76
Accruals	333	338
Onerous lease	1,801	1,507
	<u>7,748</u>	<u>7,882</u>

#### 11. Creditors due after more than one year

	2019 £'000	2018 £'000
Grants payable	<u>2,849</u>	<u>1,841</u>

#### 12. Provision for liabilities

	2019 £'000	2018 £'000
<b>Onerous lease</b>	<u>-</u>	<u>5,199</u>

The property was not used by the Foundation during the year and was fully sublet until 24 March 2019. The 2018 provision was calculated based on the costs projected to be incurred less the anticipated contributions from tenants plus possible future costs that could arise under a scenario agreed with property agents over the full period of the lease.

The lease was assigned on 9 April 2019 and the remaining liability in relation to the assignment is included in creditors due in less than one year.

#### 13. Analysis of net assets between funds

	Unrestricted funds		Restricted	2019 £'000	2018 £'000
	Grants £'000	Other £'000	Funds £'000		
Fixed assets	-	258,634	-	<b>258,634</b>	259,298
Current assets	-	10,495	688	<b>11,183</b>	11,772
Liabilities	(5,527)	(1,874)	(347)	<b>(7,748)</b>	(7,882)
Liabilities >1 year	(2,849)	(2,708)	-	<b>(5,557)</b>	(9,693)
	<u><b>(8,376)</b></u>	<u><b>264,547</b></u>	<u><b>341</b></u>	<u><b>256,512</b></u>	<u><b>253,495</b></u>

#### 14. Funds

##### Movements in funds

	At 1.7.18 £'000	Movement in funds £'000	At 30.6.19 £'000
<b>General funds</b>	255,879	3,000	<b>258,879</b>
Funds excluding pension liability	255,879	3,000	<b>258,879</b>
<b>Unfunded pension liability</b>	(2,653)	(55)	<b>(2,708)</b>
	<u>253,226</u>	<u>2,945</u>	<u><b>256,171</b></u>
<b>Restricted funds</b>	269	72	<b>341</b>
Total funds	<u><b>253,495</b></u>	<u><b>3,017</b></u>	<u><b>256,512</b></u>

## Restricted funds

	At 1.7.18 £'000	Income £'000	Expenditure £'000	At 30.6.19 £'000
<b>Justice First Fellowship</b>				
Unbound Philanthropy	150	-	95	55
BBC Children in Need	64	-	3	61
Council of Inns of Court	-	-	-	-
Contribution to Child Poverty Action Group (Herbert Smith LLP and London Legal Support Trust)	-	18	18	-
Contribution to Avon & Bristol Host (TLT LLP and Osborne Clark LLP)	-	5	5	-
ABCT	-	250	240	10
City Bridge	-	320	160	160
<b>Other programmes</b>				
Nuffield Foundation	55	-	-	55
Paul Hamlyn Foundation	-	8	8	-
Joseph Rowntree Foundation	-	14	14	-
	269	615	543	341

Information on the Justice First Fellowship is included in the report of the Governors on page 8.

## 15. Pension (Liability)/Asset

The Foundation operates a funded contributory pension scheme providing defined benefits based on members' final pensionable salary at retirement, death or leaving service.

The Scheme is a separately constituted trust with member nominated trustees and Foundation appointed trustees. Under the Trust Deed the employer decides the benefit structure and the Trustees, on the advice of the Scheme Actuary, decide the required funding rate.

The assets of the Scheme, including purchased annuities, are held separately from those of the Foundation.

This scheme is currently in surplus as calculated in accordance with the FRS102 valuation basis however the Governors consider that the Surplus cannot currently or in the foreseeable future be recovered against future service costs or by future refund and is therefore excluded from the Balance Sheet.



During the year the Foundation paid pension and life assurance contributions to the Scheme of £174k (2018: £152k) comprising normal contributions of £174k (2018: £152k) and special payments of £nil (2018: £nil). Contributions totalling £nil (2018: £nil) were prepaid at the year end and contributions of £15k for the month of June 2019 were due and paid shortly after the year end.

The Foundation maintains responsibility for a legacy unfunded pension which is currently in payment. The Pension Liability shown on the Balance Sheet relates to this pension. The principal assumptions used for the FRS 102 valuation were as follows:

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
Discount rate	<b>2.3</b>	2.7
Rate of increase in price inflation	<b>3.15</b>	3.0
Rate of pensionable salary increase	<b>2.5</b>	2.5
Retail Price Index pension increases (max 5%)	<b>3.05</b>	2.95
Retail Price Index pension increases (max 2.5%)	<b>2.15</b>	2.1
Deferred pension revaluation (max 5%)-CPI (to 2011-RPI)	<b>2.15</b>	2.0
Deferred pension revaluation (max 2.5%)	<b>2.15</b>	2.0

It has been assumed that members reaching normal retirement date will exchange 67% of the maximum allowable amount of their pension for cash at retirement. This is based on the post 'A-day' definition of maximum cash.

Mortality assumptions used are in line with 100% of the PCMA08 tables for males and PCFA08 for females, in addition to updating future improvements to be in line with the more recent CMI 2017 projections, with a long-term annual improvement trend of 1.50% for males and 1.0% for females.

Average expected future life at age 65:

Male currently aged 65	22.4	22.9
Female currently aged 65	24.3	24.7
Male currently aged 45	24.0	24.5
Female currently aged 45	25.4	25.9

The assets in the Scheme are:

	2019		2018	
	£'000	£'000	£'000	£'000
<b>Funded scheme</b>				
	-		-	
Corporate Bonds and Gilts	88,770		83,949	
Asset Backed Credit	9,915		9,978	
Private Credit	10,611		5,000	
Purchased annuities	69,531		73,489	
Cash	62,291		61,218	
Total market value of assets	<u>241,118</u>		<u>233,634</u>	
Actuarial value of liabilities	<u>(184,904)</u>		<u>(175,539)</u>	
Net surplus in the funded Scheme		56,214		58,095
<b>Unfunded pension liability</b>				
Actuarial value of liabilities	<u>(2,708)</u>		<u>(2,653)</u>	
Net deficit in the funded Scheme		<u>(2,708)</u>		<u>(2,653)</u>
<b>Net surplus in the Scheme (funded and unfunded)</b>		<b>53,506</b>		<b>55,442</b>
Less: Irrecoverable pension scheme surplus		<u>(56,214)</u>		<u>(58,095)</u>
<b>Net unfunded pension liability</b>		<b><u>(2,708)</u></b>		<b><u>(2,653)</u></b>

The total net surplus of the funded scheme pension liabilities at 30 June 2019 on the FRS 102 basis was £56 million, all of which is considered irrecoverable. The restriction represents the surplus in the funded Scheme which the Governors consider cannot currently be recovered against future service costs or by future refund and is therefore excluded from the Balance Sheet.

The movement in the restricted amount has been charged to the Statement of Financial Activities under the heading other resources expended.

Assets are valued at the bid value. FRS 102 regulations require the expected rate of return on assets to be based on the Discount Rate. The liabilities are valued using a market rate derived from high quality corporate bonds and do not depend upon the assets in which the pension is invested.

The actual return on the Scheme assets in the year was 7.6% (2018: 3.0%).

Sensitivity of Assumptions	2019	2018
	£million	£million
A 0.5% reduction in discount rate	(17.5)	(14.0)
A 0.5% increase in price inflation	(9.7)	(10.2)
A one-year increase in average age of member on death	(7.1)	(5.5)

The above sensitivities show the impact of various changes on the net pension surplus/deficit.

## Risk

The Trustees, with the support of the Governors, have purchased annuities for pensions in payment when overall market conditions have been appropriate to do so.

### Analysis of the amount charged to Expenditure

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	<b>195</b>	169
Other costs	<b>716</b>	699
Past service cost	<b>553</b>	-
Total Operating charge	<b>1,464</b>	868
Expected return on Scheme assets	<b>(6,273)</b>	(6,460)
Restriction on charge relating to funded pension scheme liability	<b>94</b>	580
Interest on pension liabilities	<b>4,789</b>	5,083
Net return	<b>(1,390)</b>	(797)
Total	<b>74</b>	71

The past service cost value of £553k in 2019 is the latest estimate of the additional cost of equalising Guaranteed Minimum Pension benefits provided by the Scheme.

### Analysis of amount recognised in the Statement of Financial Activities as actuarial gains and losses

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Actual return less expected return on Scheme assets	<b>11,632</b>	1,854
Experience loss arising on the liabilities	<b>(1,819)</b>	(169)
Changes in assumptions underlying the present value of liabilities	<b>(12,035)</b>	3,898
Actuarial gains before restriction	<b>(2,222)</b>	5,583
Restriction of negative movement on pension scheme asset	<b>2,149</b>	(5,733)
Actuarial (losses)	<b>(73)</b>	(150)
Cumulative amounts recognised as actuarial losses	<b>(41,427)</b>	(41,354)

### Movement in liabilities during the year

	2019 £'000	2018 £'000
Liabilities at the beginning of the year (funded Scheme and unfunded arrangements)	178,192	181,543
Movement in the year:		
Current accrual cost	195	169
Interest cost	4,789	5,083
Past service cost	553	
Loss on changes in assumptions	12,035	(3,898)
Experience loss on liabilities	1,819	139
Experience change in secured pensioner value	(7,835)	(2,637)
Benefits paid	(2,136)	(2,207)
Liabilities at the end of the year (funded Scheme and unfunded arrangements)	<u>187,612</u>	<u>178,192</u>

Liabilities at the year-end included £2,708k (2018: £2,653k) in respect of unfunded arrangements outside the Scheme. £92k was paid in respect of this arrangement during the year.

### Movement in Scheme assets during the year

	2019 £'000	2018 £'000
Scheme assets at the beginning of the year	233,634	232,064
Movement in the year:		
Expected return on Scheme assets	6,273	6,460
Actuarial gain	11,632	411
Death in service insurance premiums paid	(16)	(29)
Expenses paid by Scheme	(700)	(670)
Experience change in secured pensioner value	(7,835)	(2,637)
Employer contributions	174	152
Benefits paid directly from Scheme assets other than annuities	(2,044)	(2,117)
Scheme assets at the end of the period	<u>241,118</u>	<u>233,634</u>

### History of experience gains and losses

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Scheme assets	241,118	233,634	232,064	226,715	185,952
Pension liabilities: funded scheme and unfunded arrangements	(187,612)	(178,192)	(181,542)	(180,796)	(153,371)
Net surplus/(deficit): funded Scheme and unfunded arrangements	53,506	55,442	50,522	45,920	32,581
Experience adjustments on Scheme assets	11,632	1,854	9,885	31,436	15,933
Experience adjustments on Scheme liabilities	(1,819)	(139)	(4,890)	2,171	1,164

Expected contributions payable by the Foundation to the Scheme for the year to 30<sup>th</sup> June 2020 are £183k. No special payments are planned owing to the surplus of £56million in funded Scheme assets at 30<sup>th</sup> June 2019.

## 16. Operating Lease Commitments

Total minimum lease payments due to be made under non-cancellable operating leases:

	2019 £'000	2018 £'000
Not later than 1 year	103	998
Two to five years	177	3,785
More than five years	-	4,393
	<u>280</u>	<u>9,176</u>

The Onerous lease, which was assigned in 2019, accounted for £9,033k of the minimum lease payments due as at 30 June 2018.

Total future minimum lease payments due from lessees, up to the date of the next break option are:

	2019 £'000	2018 £'000
Not later than 1 year	-	644
Two to five years	-	-
	<u>-</u>	<u>644</u>

## 17. Grants

The following grants were awarded in the year ended 30 June 2019:

### Objective 1: Increase public understanding of the law and the capability to use it:

	£'000
1.1 Young People	
Children's Law Centre	74
Coram Children's Legal Centre	118
Youth Access	193
	<u>385</u>

	<b>£'000</b>
<b>1.2 Users of advice organisations/vulnerable groups</b>	
Bristol Law Centre (Formerly Avon and Bristol Law Centre)	39
Central England Law Centre	74
Disability Law Service	115
Friends, Families and Travellers	62
Govan Law Centre	50
Law Centres Network	200
mySociety (UK Citizens Online Democracy)	46
Scottish Women's Aid	58
South Wales Law Centre Ltd - (The Speakeasy Law Centre)	17
The Children's Society	149
	<b>810</b>

	<b>£'000</b>
<b>1.3 Staff in voluntary sector/community groups/local government</b>	
Article 39	56
Centre for Criminal Appeals	24
Clan Childlaw	54
Right to Remain	45
The Baring Foundation	200
	<b>379</b>

	<b>£'000</b>
<b>1.4 General public</b>	
Citizens Advice Plymouth	70
Intermediaries for Justice	30
Law for Life: The Foundation for Public Legal Education	74
Legal Advice Centre (University House)	24
Organise	10
	<b>208</b>

	<b>£'000</b>
<b>1.5 Related research</b>	
UCL Centre for Access to Justice	33
	<b>33</b>

	<b>No.</b>	<b>£'000</b>
<b>Total number and value of grants for Objective 1:</b>	<b>25</b>	<b>1,815</b>

**Objective 2: Advance high-quality thinking and practice in legal education and legal services so as to ensure legal needs are met:**

	<b>£'000</b>
<b>2.1 Legal skills and knowledge of people working in the law</b>	
Advocate (Formerly Bar Pro Bono Unit)	32

Asylum Support Appeals Project (ASAP)	72
British and Irish Legal Information Institute	90
Cardiff University - School of Law and Politics	21
Cardiff University Wales Governance Centre	184
Central England Law Centre	9
Child Poverty Action Group (CPAG)	103
Doteveryone	50
Greater Manchester Law Centre	138
Hansard Society	90
Institute for Public Policy Research	105
Institute of Welsh Affairs (IWA)	16
Just for Kids Law	30
Lasa Charity UK Limited	71
Law Centres Network	257
Legal Action Group (LAG)	37
Legal Aid Practitioners Group (LAPG)	70
London Legal Support Trust	40
Open Trust	117
Public Law Project	164
Southwark Law Centre	90
The Constitution Unit	68
	<hr/>
	1,854
	<hr/>

## 2.2 Legal skills and knowledge of law students

£'000

-

## 2.3 Developing income streams for legal services

£'000

Equally Ours (Formerly Equality and Diversity Forum)	69
JustRight Scotland (JRS)	150
Law Centres Network	55
Legal Services Agency	8
Life Story Network CIC	100
Maternity Action	71
Newcastle Hospitals NHS Foundation Trust	77
UCL Centre for Access to Justice	95
	<hr/>
	625
	<hr/>

## 2.4 Related research

£'000

The Commission on Justice in Wales	79
	<hr/>
	79
	<hr/>

## Total number and value of grants for Objective 2:

No.      £'000  
**33      2,558**

**Objective 3: Increase access to employment in the legal profession and, in particular, advice social mobility and diversity:**

<b>3.1 Increase in access to employment for Law Students</b>		<b>£'000</b>
Justice First Fellowship		1,396
		<u>1,396</u>
<b>3.2 Increase in access to employment for those from less advantaged backgrounds</b>		<b>£'000</b>
The Sutton Trust		257
		<u>257</u>
	<b>No.</b>	<b>£'000</b>
<b>Total number and value of grants for Objective 3</b>	<b>22</b>	<b>1,653</b>
<b>TOTAL NUMBER AND VALUE OF GRANTS AWARDED 2019</b>	<b>80</b>	<b>6,026</b>
<b>ADJUSTMENTS TO PRIOR YEAR GRANTS</b>		(274)
<b>TOTAL GRANT EXPENDITURE 2019</b>		<u><b>5,752</b></u>

The above total of £6,026k includes £407k of grants to be paid from restricted funds.

Details of each of the above grants awarded in the year is shown in the Foundation's Annual Review for the year ended 30<sup>th</sup> June 2019 which can be found at [www.thelegaeducationfoundation.org](http://www.thelegaeducationfoundation.org).

**18. Related party transactions**

<b>Grantee</b>	<b>Trustee/Key management</b>	<b>Relationship</b>	<b>Grant awarded in the year £'000s</b>	<b>Balance outstanding at 30.6.19 £'000s</b>
Bingham Centre for the Rule of Law	Guy Beringer	Co-Chair of Bingham Centre Appeal Board	-	47
British and Irish Legal Information Institute (BAILII)	Guy Beringer	Trustee of BAILLI	90	82
Public Law Project	Alison Pickup	Legal Director	165	165
			<u><b>255</b></u>	<u><b>294</b></u>

None of the above Trustees took part in any discussions or decisions regarding a grant to a party to whom they are Related.



## 19. Contingent assets and contingent liabilities

### Grants

A grant of £nil (2018: £256k) was provisionally committed to being made. However, in 2018, as it was subject to an annual review and could have been withdrawn it was not included in the amount for grants payable in Notes 10 or 11.

### Onerous Lease

As part of the assignment of the lease on the property monies were transferred to an Escrow account to be drawn-down by the assignee by October 2020. It is probable that the assignee will draw down this amount in full and that £370k of VAT will be recoverable by the Foundation.

A contingent liability remains for the Foundation if the assignee of the lease is unable to meet any dilapidation costs that fall due at the end of the lease period in March 2028.

## 20. Reconciliation of net expenditure to net cash outflow from operating activities

	2019	2018
	£000s	£000s
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	201	(5,131)
<b>Adjustments for:</b>		
Depreciation charges	1	1
Dividends and interest from fixed asset and current asset investments	(3,954)	(3,700)
Increase/(decrease) in provisions	(5,144)	811
(Increase)/Decrease in debtors	(2,438)	(177)
Increase/(decrease) in creditors	874	3,134
Difference between pension cost charged and contributions paid	(73)	(150)
<b>Net cash provided by (used in) operating activities</b>	<b>(10,533)</b>	<b>(5,212)</b>
<b>Analysis of cash and cash equivalents:</b>		
Cash at bank and in hand	25	577
Current Asset Investments	3,052	5,434
<b>Total cash and cash equivalents</b>	<b>3,077</b>	<b>6,011</b>