

Community Foundation Network (CFN)

Report of the board

For the year ended 31 March 2007

1. Introduction

The Directors' Report is in the format recommended by the SORP 2005 guidelines.

2. Structure Governance and Management

Community Foundation Network (CFN) is a charitable company limited by guarantee with governance arrangements provided for by the company's memorandum and articles of association.

CFN is the national membership organisation for community foundations in the UK. Community foundation means a foundation established to generate funds from all sources (including money given to create endowment), in order to provide grants for charitable purposes related to the needs of a defined community. Community foundations thus provide services to donors and engage with others to strengthen local communities.

The membership of Community Foundation Network is restricted to community foundations in the UK. The network has grown strongly in recent years. According to the returns submitted in 2006 (containing data from members' accounts for the preceding year), in aggregate the network of community foundations made £70m of grants in 2005/06, supporting around 17,000 organisations working to strengthen their communities. In total £140m of endowed funds are also being managed by members of the network on behalf of donors and communities, and this figure grew by 20% when compared to the previous year. As at March 2007 there were 37 full members, 19 associates and 5 affiliate members. We estimate that over 90% of the UK population has access to a Community Foundation.

The full members of CFN elect the directors of CFN for three year terms, with a minimum of four directors being trustees of member community foundations and a minimum of four being staff employed by member community foundations. Directors are co-opted onto the board to bring experience and skills to bear that are considered necessary by the board.

These requirements mean that CFN benefits from having the majority of directors very familiar with CFN and the issues that the board consider. CFN's induction processes for new trustees include a personal briefing from the CEO and the issuing of a board manual setting out the generic responsibilities of trustees and the specific responsibilities and roles that are required under the CFN governing documents. Each year at the board away-day the trustees consider the rolling three year strategic plan and update it if necessary. Trustees are also updated on changes to charity and company legislation and best practice at the away day and through quarterly email updates.

CFN is also the sole trustee for the Fair Share Trust. The Fair Share Trust, established in June 2003, is governed by a Trust Deed and is charged with delivering £50m of lottery money to some of the UK's most disadvantaged communities over a ten-year programme.

The Board of CFN is the decision making body for the company. In order to increase the focus of the board on delivering the impact expected within our plan, a "Task Group" charged with providing strategic direction and support to the staff supports each of the key strategies within CFN's plan. These "Task groups" do not have decision-making powers unless the Board specifically delegates these. The board has delegated powers to sub committees to take specific decisions consistent with the overall direction set by the whole board. The delegated authorities for these sub committees are summarised below.

The Fair Share Trust programme appears as an item on all main board agendas and its successful delivery is a key strategy for the plan. In addition to provision for a "Task Group" the board has delegated

to a panel of trustees the responsibility for agreeing neighbourhood strategies against which funds will be released to the Agents delivering the programme.

A Finance and Audit Committee oversees the investment of the Fair Share Trust monies and audit arrangements. The Conference Committee takes responsibility for the work to deliver the bi-annual network conference. The Personnel Committee decides on staff remuneration and policies. In addition, during the year, the board formed an Accreditation Committee to which it delegated specific powers to approve community foundations' applications for the award of our quality accreditation.

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Staffing at Community Foundation Network was again relatively stable. The Directors were able to strengthen the policy and research capacity of CFN through the recruitment of a secondee with the required skills from the Cabinet Office, and during the year the resourcing of the Fair Share team was adjusted to increase the focus on operational delivery now that the “set up” phase has been completed. After 31 March 2007, an additional Fair Share Trust programme officer was recruited so that the Fair Share Trust programme team comprises Kate Stewart (promoted to Programme Manager) and two Programme Officers. The decision was also taken to strengthen CFN’s overall programme delivery and operational management. The recruitment process was initiated within the year and in April a Programmes and Operations Director was appointed and Lesley Talbot joined CFN in this role in July 2007.

The trustees have reviewed the major risks to which the charity is exposed, and systems and procedures are in place to manage these risks with reports from the CEO received monthly by the Chair and quarterly at Board meetings.

3. Objectives and activities

The objects of the charity as set out in the Memorandum of Association are:

- To promote and improve the efficiency and effectiveness of community foundations in direct pursuit of their objectives in such a manner as may be thought fit and in particular by raising and distributing funds for application for the general purposes of such foundations
- To advance education of the public in the work of such foundations

The changes or differences that CFN seeks to make are:

- Winning new funds for members from contracts negotiated nationally for grants to be disbursed by community foundations
- Enhancing and raising the national profile of community foundations
- Increasing capabilities and capacities of community foundations leading to increased efficiency and effectiveness
- Managing the Fair Share Trust programme so that Agents build social capital, community capacity and enhance liveability in some of the most disadvantaged communities in the UK
- Supporting new community foundation formation so that we maintain/enhance national coverage

When winning new contracts CFN sometimes acts as a broker, introducing clients to community foundations with whom they transact direct. More recently CFN has been successful in winning contracts where CFN manages the primary funding relationship and CFN then awards grants on behalf of donors or other funders to community foundations for disbursement in the communities they serve. The grant making policy for each programme is set in accordance with the specific aims and objectives of the funder and these are communicated to community foundations through formal grant offer letters. Monitoring and evaluation reports are required for all grants – the requirements of each donor and the size and time frame for the grants determine the exact nature of the reporting. Site visits are an important component in the monitoring process for larger multi year grants. The Fair Share Trust programme is governed by a Trust Deed and the grant making requirements are set out in a detailed Guidance Manual and formal service level agreements.

The main objectives set for the year 2006/07 were:

- To implement the quality accreditation programme for community foundations
 - To continue to improve our network development capacity
 - To deliver the Fair Share Trust programme in line with the requirements of the Trust Deed
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- To win/facilitate new national contracts for the network
- To raise the profile of the movement
- To increase the value added to members
- To maintain CFN's finances on a firm long term footing

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The significant activities undertaken during the year were:

- The successful piloting and introduction of the CFN quality accreditation programme and its public endorsement by the Charity Commission.
- Further progress was made with the Fair Share Trust, with the spend targets achieved and exciting signs of the programme outcomes being achieved.
- Grants programmes won: Sport Relief (£4m over two years); Capacitybuilders (£0.5m); Basis Stage 1 (£0.5m)
- Engagement in national philanthropic forums and consultations on behalf of the network including: the Third Sector Review; Unclaimed Assets Commission consultation; the Giving forum and the Partnership Board for the Change Up Finance hub
- The successful delivery of our network development programme including the creation of IT “beacons” of good practice and early work to establish a Donor Services beacon. The “beacon” model equips community foundations that have developed an area of expertise to develop the capacities of others in the network.
- Work with the National Association of Voluntary and Community Action (NAVCA) to raise the profile of the contribution that community organisations make to strengthening communities and to highlight their funding needs, the implications for them of government funding policies and the role that government can play in promoting philanthropic funding. This led to the “Sustaining Grants” publication and campaign.
- Inception of a project with the Charity Commission to release funds in dormant and near-dormant trusts for effective use in funding temporarily charitable activity
- Developing and maintaining relationships with national professional adviser firms and banks: Coutts; Barclays Wealth; SG Hambros and others.
- Development of DIGITS (software provided to members) functionality and services.
- Lobbying and drafting proposals for grants programmes for national funders particularly Big Lottery Fund and national companies.

4. Achievements and performance

The CFN Board agreed the corporate three-year plan in February 2006 for the period April 2006 to March 2009 building on the planning consultation completed in previous years.

Vision

Our vision is to see community foundations making an increasingly significant contribution to the creation of stronger and more cohesive communities in the UK by funding, connecting and convening effective charitable activity.

Members in aggregate and individually will provide a compelling channel for donors of all kinds to engage with their communities on a lasting basis. Community foundations will be seen as agents of social change, making philanthropy compelling and helping make communities better places to live, work and do business.

Our goals

Our goals in this plan period were to see:

- By 2010, a national network of community foundations each with a minimum of £1m of endowment and over £250m in aggregate meeting high standards of Governance, Finance, Donor services, Grant making, Community Engagement and Communications
 - Community Foundation Network (nationally) and members (locally) well known and visible as a key part of the UK's philanthropic infrastructure.
 - Individually and collectively community foundations leading social change by convening activity at a community level and connecting with other agencies at regional and national levels.
 - Community foundations radical as users of IT to transform productivity, impact and the quality of clients' experiences
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The key strategies within the plan were:

- **National standards roll out.** Managing the standards process as the primary tool for building the capacity of members and creating national opportunities for members
- **Network development.** Complementing the standards rollout with capacity building interventions
- **Fair Share Trust.** Delivering the programme and developing the capacity at CFN to develop and manage programmes for a wide range of corporate, trust, lottery and statutory clients
- **Alliance and programme development.** Developing strategic alliances & collaborations with other key national players that complement our work and help achieve our goals.
- **Profile and Influence raising.** Building on the success of recruiting our Honorary Vice Presidents
- **Policy and research.** Leveraging the network's learning and impact to maximise the influence and impact of community foundations on national policy development and implementation.
- **IT.** Developing a set of services that support the radical use of IT to underpin the achievement of our goals

The achievements during the year were:

National standards roll out

- The accreditation process successfully piloted with five community foundations accredited in May 2006.
- Full roll out commenced and on track to achieve the target of over 40 community foundations accredited by September 2007.
- The Charity Commission publicly and enthusiastically endorsing the standards in writing to CFN and at the press launch of their Partnership programme.

Network development

- The introduction of two IT beacon sites to support community foundations in the more effective use of IT (with support from the Barings Foundation).
- The planning of a fund development beacon ready for launch in April 2007.
- Continued support to new and emerging community foundations
- Effective delivery of services to members with a survey revealing all but one regarding support provided as "good" or better.

Fair Share Trust

- Spend targets achieved and spending on track
- On-line monitoring and evaluation submission introduced
- Agents managed effectively with 3 on the "high risk" watch list in March 2007 (target to have fewer than 8)
- Five mentions in the sector press
- Signs of the successful building of social capital and community capacity in many areas.
- Nearly £9m of additional funding secured by June 2007 to match the £12.8m of Fair Share Trust grants made
- A copy of the Protector's Report covering the year ended 31 March 2007 is attached to this report.

Alliance and Programme Development

- The Four Acre Trust grants programme concluded successfully with the client offering to act as a reference for CFN on other programme tenders.
 - A £4m two year contract with Sport Relief won, enabled by the development of a CFN web based reporting facility
 - £500k pilot programme with Capacitybuilders won for delivery by 9 community foundations
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- £500k BASIS application for funding for south west community foundations fund development through to Stage II
 - Relationships with Coutts developed, and new relationships developed with Barclays Wealth and SG Hambros
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Profile and Influence raising

- Public sector profile and influence has increased significantly leading to the mention of community foundations in the 2007 budget announcement.
- We made a start in using the names and contacts of our four Honorary Vice Presidents Sir Christopher Gent, Lord George, Baroness Prashar and the Duke of Westminster
- In other sectors the results have been disappointing and a project was started during the year with the support of two external consultants and trustees to focus on further progress in the public policy arena, media, and partnerships with national wealth managers and national corporates.

Policy and research

- Successful contributions to the government's "Third Sector Review"
- Inclusion in the Unclaimed Assets Commission's report published in March 2007
- Development and piloting of a proprietary process for capturing and documenting learning from small grants programmes
- A suite of fact sheets drafted highlighting and evidencing the 6 distinctive contributions that community foundations make to philanthropic community based activity in the UK (to be published after the year end)

IT

- Project initiated to articulate the future experience that we want key stakeholders in community foundations to have over the next 5 years. This will underpin the development of next generation IT systems.
- DIGITS successfully managed and developed with IT related membership subscriptions up by one third.

CFN Funding

Although not formally a strategy in this plan, good progress has been made:

- the agreed phased increase in subscriptions that will see them double over three years has been implemented successfully
- CFN received the first year's contribution from the Office of the Third Sector as part of a three-year strategic commitment to core cost funding.

5. Financial review and investment

The principal sources of funding during the year for CFN were:

- The Office of the Third Sector (Cabinet Office)
- Charles Stewart Mott Foundation
- Membership subscriptions

Income from the Fair Share Trust is retained within the Trust and the objects of the Trust determine its use, as is the case for the original capital settlement. CFN is strategic partner of the Office of the Third Sector (OTS) and this relationship includes vital grant support that has helped maintain and develop activities to strengthen the network as well as providing a channel for CFN to provide information, advice and feedback to OTS on issues to do with community philanthropy and the funding of community organisations.

The Charles Stewart Mott funding supported core costs, as did membership subscriptions. The Charles Stewart Mott funding is an essential and highly valued source of funding for CFN and over many years

this support has been instrumental in allowing CFN to do its work to strengthen and expand the network of community foundations in the UK. A two year grant covering 2006/07 and 2007/08 was agreed.

It was particularly pleasing to note that for a third consecutive year DIGITS and IT support subscriptions and fees covered costs.

Overall there was an increase in unrestricted funds of £36,000, excluding IT / DIGITS. Although technically not restricted the directors regard the funds received from IT related membership as ring-fenced for investment in major future software developments.

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The trustees have reviewed the reserves policy and have concluded that at any time CFN should be covered financially for 12 months, taking account of both unrestricted reserves and firm funding commitments. This means that in practice unrestricted reserves will usually be in the range 9 to 15 months of core expenditure. At the end of our financial year, the unrestricted reserves were £352,000 in total, which represents just over 9 months of core costs, looking forward. The trustees believe this policy is a sensible balance between the need to maintain a secure long-term financial position and the requirement not to hold excessive charitable funds.

Investment management continues to be important because of the size of the Fair Share Trust. The audit and investment sub-committee, chaired by our Treasurer, is responsible for the monitoring of this investment. This committee decided an overall asset allocation policy at the outset of the Fair Share programme, with preservation of capital the top priority. This is a low risk policy. During the year the trustees adjusted the asset allocation policy to reduce risk further and simplify the investment holdings. The trustees moved the funds previously managed by Merrill Lynch Investment Management (£37m of bonds and gilts) into cash or cash funds. This move will have the effect of increasing the investment surplus as cash interest rates available over the next two years exceed the returns assumed in the programme budget. In the course of the year all our investments performed satisfactorily.

6. Plans for the future period

The plan for 2007/10 is based largely on the programme above, although the trustees devoted an overnight and day board session in autumn 2006 to future strategy, and the new plan contains some significant shifts in emphasis.

The vision and goals are unchanged, and we have three strategies with a focus on network performance, external profile, and network wide programmes:

Network performance

This single strategy embraces all of the “input” driven work CFN does to facilitate the development of members’ capacities:

- Quality accreditation
- Support to new/emerging members
- Network events and training
- IT & Projects

This strategy guarantees our “product”, a national network comprising members that are able to deliver the services that we promise to communities.

External relationships and opportunities

This strategy is concerned with developing and managing relationships with key people and organisations that will raise the profile of community foundations, bring the network new business and influence the environment within which we operate. This strategy has three strands:

- Media
 - Statutory organisations (Government, Lottery)
 - Potential donors (firms of professional advisers, national corporates, private trusts and foundations)
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Programme and operations

This strategy is concerned with network as a whole, ensuring that CFN and community foundations collectively have the capacity to manage national contracts in such a way that we delight our clients. This strategy has three strands:

- Developing CFN's capacity for managing national contracts (e.g. web-based monitoring, standard documentation)
 - Developing network wide processes that make operational collaboration and delivery more effective e.g. network-wide evaluation and monitoring processes; use of IT to reduce costs on national programmes.
 - Managing contracts once won, delighting clients, generating learning and future new business and profile raising opportunities.
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CFN's funding is relatively secure over the next two years and this is the window within which CFN needs to establish a more distinctive external proposition that can be used to generate funding opportunities for CFN as well as ensuring the more effective delivery of strategies to achieve our goals.

7. Statement of responsibilities of the board

The board are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practise (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and charity and of the income and expenditure, of the group and charity for that period. In preparing these financial statements the board is required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards and statements of recommended practice 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 charity will continue in operation.

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

8. Audit information

So far as each of the directors at the time the trustees' report is approved is aware:

a) there is no relevant information of which the auditors are unaware; and

b) they have taken all relevant steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information."
