



# JOHN LYON'S CHARITY

**REPORT OF THE TRUSTEE AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2017**

**Registered Charity No: 237725**

**Contents**

	<b>Page</b>
<b>Trustee and Advisers</b>	2
<b>CEO Message</b>	3
<b>Report of the Trustee</b>	4 - 16
<b>Statement of the Trustee's Responsibilities</b>	17
<b>Report of the Independent Auditor</b>	18 - 19
<b>Statement of Financial Activities</b>	20
<b>Balance Sheet</b>	21
<b>Cash Flow Statement</b>	22
<b>Accounting Policies</b>	23 - 24
<b>Notes to the Financial Statements</b>	25 - 35

<b>Trustee</b>	The Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon (A Charter Corporation)
<b>Clerk to the Trustee</b>	Andrew Millett
<b>Registered Charity No.</b>	237725
<b>Registered Address and Charity Office</b>	45a Cadogan Gardens, Griffin Lodge London SW3 2TB
<b>Property Managing Agents</b>	Cluttons LLP, Chartered Surveyors Portman House, 2 Portman Street London W1H 6DU
<b>Bankers</b>	Coutts & Co 440 Strand London WC2R 0QS
<b>Auditors</b>	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
<b>Solicitors</b>	Pemberton Greenish LLP 45 Cadogan Gardens London SW3 2AQ
<b>Investment Advisers</b>	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA
<b>Principal Officers</b>	
Chief Executive Officer	Lynne Guyton ( <i>Andrew Stebbings until 17<sup>th</sup> April 2017</i> )
Grants Director	Cathryn Pender
Finance Director	Lloyd Gay

## CEO Message

On behalf of our Trustee and staff at John Lyon's Charity I am delighted to report that the Charity successfully granted over £10.5million during the financial year ending 31 March 2017.

This is in no small part due to the success of my predecessor – Andrew Stebbings, who retired in May 2017. Since the establishment of the Charity in its modern form (in 1991), its endowment has grown from just £64 million to over £360 million today. This is a remarkable achievement which has required careful, yet innovative, management of the Charity's assets.

In 2016/17 we undertook a Policy Review of the Charity; consulting widely both inside and outside the Charity to gauge understanding of, support for and accuracy of our values, objectives and policies. Few changes were required, giving a strong affirmation for the future direction of the Charity. The Review was conducted against the backdrop of economic and political uncertainty, meaning that the Trustee favoured continuing with a flexible policy with the opportunity to act with discretion as situations arise.

We believe that as funding cuts from local government continues to have an impact upon grass roots organisations, the importance of John Lyon's Charity's resources will continue to increase. A rise in awards made to all categories of grant – including our recently launched School Holiday Fund - by over 9% this year clearly demonstrates this demand. The creation and launch of Young People's Foundations (YPF) in each of our designated boroughs is our biggest achievement. YPFs are registered charities in their own right that support a diverse membership of groups and organisations serving children and young people in their local area. Each YPF is different and responds to the needs of its own borough. John Lyon's Charity has awarded each YPF an annual grant for three years. The funding and knowledge John Lyon's Charity brings to the YPFs aims to stabilise youth services within each local community.

As we look to the future, we will continue to seek out organisations where funding can make a discernible difference to the lives of children and young people in our beneficial area. We will also aim to be flexible in the types of grants and non-financial support (such as training for trustees or chief executives) we give, to ensure we can make an impact for a sustainable period of time.

Dr Lynne Guyton,  
Chief Executive Officer  
17<sup>th</sup> June 2017



20/07/17

## 1. Introduction

The Trustee is the Corporation founded by Royal Charter granted by Queen Elizabeth I on 8<sup>th</sup> February 1572 to John Lyon, the founder of Harrow School. The Corporation is commonly known as "The Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon".

The Corporation is a separately Registered Charity (No. 310033) responsible for Harrow School and The John Lyon School. The Corporation and its subsidiaries together with John Lyons Charity is commonly known as the John Lyon Foundation.

In presenting this report for the year ended 31 March 2017, the Trustee has prepared the Financial Statements in accordance with the accounting policies set out in the notes to these financial statements and comply with the Charity's governing document, the Charities Act 2011 and the Statement of Recommended Practice "Accounting and Reporting by Charities" (FRS 102 SORP).

## 2. Structure, Governance and Management

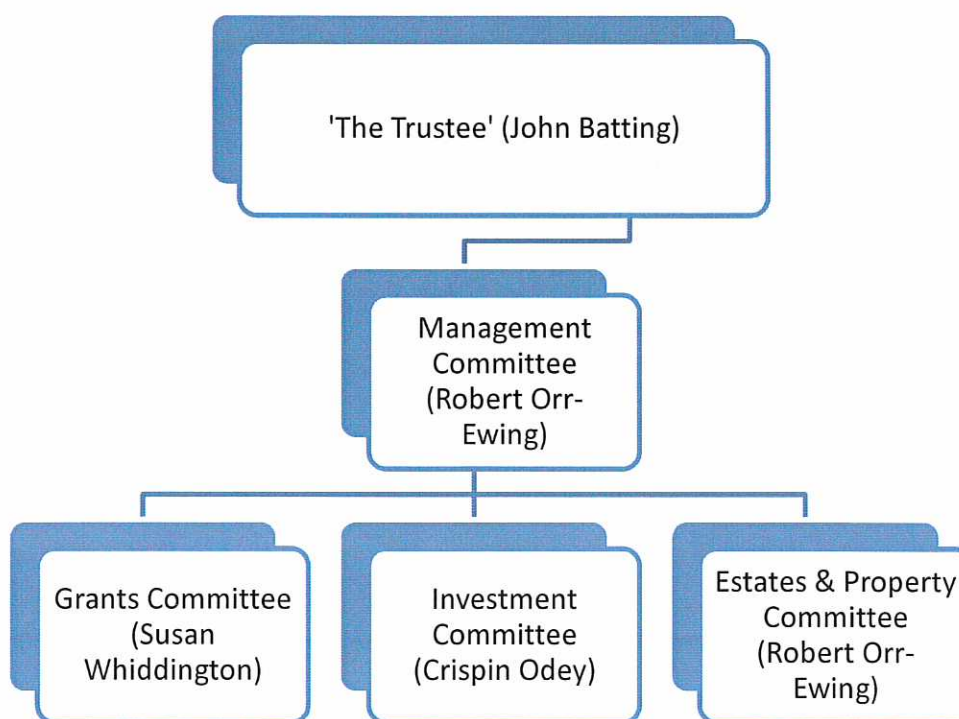
### a) Governance

The Charity is governed by the Scheme contained in The Charities (John Lyon Road Trust) Order 1991 (SI 1991, No.1141) as amended by the scheme made by the Charity Commissioners on 28<sup>th</sup> November 1996, and amended by the Resolution of the Trustee dated 11<sup>th</sup> January 2017.

### b) Trustee Structure and Committee Management

Each Committee is chaired by a member of the Corporation and is constituted by other members of the Corporation, co-opted members who give specialist advice, and the Chief Executive Officer of John Lyon's Charity. Each committee has Terms of Reference which set out its accountability and purpose.

#### John Lyon's Charity Trustee Governance Structure (current Chairs in brackets)



A **Management Committee**, consisting of the Estate Governor and the other two Committee Chairs, has general responsibility to supervise the administration and the management of the Charity's assets, to make recommendations on policy and strategy and to supervise the discharge of the responsibilities for the Financial Statements and review the Financial Statements before presentation to the Trustee for approval. The terms of delegation and the scope of responsibilities are formally recorded and reviewed regularly.

The Corporation has in place policies and procedures on all governance matters including the disclosure of conflicts of interest and on the selection and induction of members, which take account of its role as Trustee of the Charity.<sup>1</sup> It meets twice a year.

The **Grants Committee** makes recommendations on the award of grants. The grant giving function is under the immediate supervision of the Grants Director and the Charity has a number of specialist advisers who are engaged on a consultancy basis to advise on specialist areas. Full details of these advisers appear in the annual report and on the Charity's website. The Grants Committee meets at least three times a year. Applications for each meeting are subject to strict deadlines. The grant-giving guidelines and details of the application procedures are published on the website and in an information brochure. The website is the primary source of information about the Charity.

The Charity pays advisers a fee to work with individual organisations to assist them in areas such as business plans, staffing, board issues, operations, organisational structure, and programme delivery. This occurs either before a grant has been awarded or during the lifetime of a grant. During the assessment process of individual organisations by advisers, they frequently provide advice and guidance on an informal basis over a range of capacity issues.

The **Investments Committee** monitors the performance of the Investment Advisers and reviews and advises on strategic asset allocation. The Investments Committee meets at least four times to year to review asset allocation, performance of funds and the Charity's future income requirements. The investment policy and objectives is reviewed by the Committee at least once a year.

The **Estates and Property Committee** is led by the Estate Governor (an appointed member of the Corporation) who has immediate responsibility for the Charity's St John's Wood Estate and monitors and advises on the Charity's property holdings and investments. The Committee met and conversed on an ad hoc basis to assess value, maintenance requirements, enfranchisement claims and investment options. Going forward, this Committee will meet formally twice a year.

### c) Charity Organisational Structure

The day-to-day management of the Charity's affairs is conducted through the Chief Executive Officer as the senior executive officer of the Charity reporting to the Trustee. The Charity has a total of nine other staff (one position currently vacant) working for the Charity on a day to day basis. This includes a Grants Director and Finance Director. One new post of Grants Administrator was created during the year. There are plans to recruit an additional member of staff next year to focus on grant administration and communication strategy.

---

<sup>1</sup> A full list of the members of the Corporation with details of the committees on which they serve is shown in a separately published Annual Report. Copies of the Annual Report may be obtained on application to the Charity's Office.

### 3. Objectives and Activities

#### a) The Objects of the Charity

Under the Scheme the yearly income of the Charity is applicable for the following charitable purposes:

- a. the relief of the aged, disabled or poor inhabitants of the London Boroughs of Barnet, Brent, Camden, Ealing, Hammersmith & Fulham, Harrow and the Royal Borough of Kensington & Chelsea and the Cities of London and Westminster ("the inhabitants");
- b. the relief of distress and sickness among the inhabitants;
- c. the provision and support (with the object of improving the conditions of life for the inhabitants in the interest of social welfare) of facilities for recreation and other leisure time occupations;
- d. the provision and support of educational facilities for the inhabitants; and
- e. any other charitable purposes for the benefit of the inhabitants;

in accordance with certain rules required by the Scheme. The Rules are reviewed every three years and amendments approved by the Charity Commissioners for England and Wales. The current Rules were adopted by the Trustee on 30<sup>th</sup> November 1991 subject to amendments in 1996, 2001, 2013 (when a minor change was made to value thresholds on consultation) and 2017 (on delegation powers and consultation with each Local Authority on grant allocations and percentages of grants per borough).

The Trustee has referred to the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objectives and in planning future activities and setting the grant making policies.

#### b) Values of the Charity

We believe:

- in **transforming** the aspirations of children and young people
- in **creating** wider opportunities for children and young people
- in promoting partnerships and **collaborations** to have a greater impact on the lives of children and young people
- in taking informed risks to support projects that **pioneer** new initiatives and ideas
- in exercising our role as an independent funder to learn from our projects and seek to **influence** public policy
- in the **value** of the voluntary sector

#### c) Core Principles of the Charity

There are a number of core principles that underpin the Charity's grant-giving activities:

1. **A Perpetual Foundation**  
The Charity should be an exemplar Foundation, existing in perpetuity.
2. **Application of the 1991 Scheme**  
Education is at the heart of the Foundation.
3. **The Beneficial Area**  
The Charity's unique position has its own value and should be maintained.

**4. The Foundation**

The Schools (Harrow School and The John Lyon School) and the Charity should work closely in the Foundation's charitable endeavours beyond the Schools' in pursuit of the Foundation's wider aims and values.

**5. Grant-giving**

The Charity champions the achievements of voluntary sector organisations that are working to improve the life-chance, expand the horizons and raise the aspirations of children and young people in the Beneficial Area.

**d) Grant Application Considerations**

When considering applications for funding, the Charity applies the following key policies. An exhaustive list can be found on the Charity's website:

- Projects should work with children and young people aged 0-25 or their families. In cases of special needs or disability the age may extend to 30
- Projects should always consider the context of the society in which they operate and seek to benefit the wider community
- The Charity should continue to be "faith blind" and inclusive; faith schools should demonstrate an approach that benefits the wider community
- Projects must be of high quality and seek to inspire children and young people beyond their everyday experiences
- The Charity should seek to identify funding gaps and respond positively where appropriate
- Grants should seek to enhance the ability of certain groups to access programmes, activities and educational opportunities where they are traditionally under-represented
- The Charity should continue to build its relationship with other organisations to develop joint strategies and increase leverage. The Charity should, where appropriate, continue to bring organisations together to formulate joint bids
- Grants should seek to encourage partnerships between relevant bodies across schools, arts organisations and voluntary groups
- If a grant for capital is awarded the Charity must recognise the additional revenue costs and should be sympathetic to supporting requests to maintain the operating costs of the organisation
- The Charity recognises the importance of supporting early intervention projects but cannot respond to hardship appeals
- Youth clubs that approach the Charity for support should be engaging with London Youth and working towards at least the Bronze Quality Mark
- Organisations should be engaging with the Young People's Foundation in their local area
- Counselling and psychotherapy projects that support children and young people must provide evidence of membership of the appropriate professional bodies and provide clinical supervision to practitioners

As an education focussed organisation, John Lyon's Charity supports organisations that provide opportunities to children and young people to do something that they would not normally be able to do. The Charity is not about dire need or subsistence. However, there are certain beneficiary groups that the Charity looks for when assessing grant applications and would like to engage in projects and activities. In no particular order:

- Those in poverty
- Refugee and migrant groups
- Young parents and/or those with few parenting skills
- Young people getting into work
- Young people in insecure accommodation
- Families within the criminal justice system



- Children and families who have been affected by domestic abuse
- Those with mental health problems
- Families with children with special educational needs or disabilities
- Looked after children
- Highly able, gifted and talented students
- Children and young people failing at school and/or at risk of exclusion
- Those not in education, employment or training
- Children and young people not achieving their full potential at school.

**e) Funding by Borough 2016/17**

The total expenditure on grants, excluding support costs, payable in 2016/17 was £10.5 million, an increase of £875,737 (9%) compared with £9.6 million in 2015/16. The grant expenditure can be broken down in the following areas. The totals relate to grants paid and payable within the year and include payments made for grants awarded in previous financial years. This includes three restricted payments made to the three Young People's Foundations of Barnet, Brent and Harrow (£100,000 each).

	2016/17		2015/16		2014/15	
	£'000	%	£'000	%	£'000	%
<b>Barnet</b>	1,149	11	1,457	15	836	11
<b>Brent</b>	1,587	15	1,285	13	890	12
<b>Camden</b>	1,291	12	1,434	15	863	11
<b>City of London</b>	3	-	-	-	-	-
<b>Ealing</b>	1,070	10	861	9	750	10
<b>Hammersmith &amp; Fulham</b>	914	9	750	8	637	9
<b>Harrow</b>	1,058	10	852	9	715	10
<b>Kensington &amp; Chelsea</b>	626	6	494	5	501	7
<b>Westminster</b>	1,139	11	575	6	781	10
<b>Discretionary</b>	584	6	887	9	622	8
<b>Discretionary - Bursary</b>	1,100	10	1,031	11	874	12
<b>Total</b>	<b>10,521</b>	<b>100</b>	<b>9,626</b>	<b>100</b>	<b>7,469</b>	<b>100</b>

Expenditure by borough has been broadly even between the boroughs this year.<sup>2</sup> The highest allocation of funding was awarded in Brent (15%), which is in accordance with the Rules. Camden received the second highest allocation (12%) with Barnet, Ealing, Hammersmith & Fulham, Harrow and Westminster each receiving very similar levels of funding. Expenditure in Kensington & Chelsea remains lowest, compared to other boroughs, but there has been an increase from the amount spent of £493,820 in 2015/16 to £625,643 in 2016/17. The Charity is committed to working to ensure organisations in Kensington & Chelsea continue to remain aware of the grant funding and support available to them from John Lyon's Charity, including working closely with infrastructure organisations within the borough and the local authority.

<sup>2</sup> With the exception of the City of London, which is not officially a borough.

## f) Funding by Programme Areas 2016/17

	2016/17		2015/16		2014/15	
	£'000	No. of grant payments	£'000	No. of grant payments	£'000	No. of grant payments
Arts & Science	1,685	61	1,385	59	1,285	64
Children & Families	940	34	1,129	38	1,135	46
Education & Learning	1,329	50	1,174	45	1,139	57
Emotional Wellbeing	876	30	676	27	530	20
Other	7	1	8	1	8	1
Special Needs & Disabilities	397	19	954	30	600	26
Sport	583	22	547	23	269	13
Training	558	18	475	19	270	11
Youth Clubs and Youth Activities	1,677	153	1,385	113	969	45
Youth Issues	1,118	31	894	24	407	19
Bursaries	1,051	57	999	57	857	55
Restricted Grants to YPFs	300	3	-	-	-	-
<b>Total</b>	<b>10,521</b>	<b>479</b>	<b>9,626</b>	<b>436</b>	<b>7,469</b>	<b>357</b>

Expenditure between the different Programme Areas is relatively even. Arts & Science, Youth Clubs & Youth Activities and Education & Learning remain the top three areas of grant expenditure. The large number of grants awarded under Youth Clubs & Youth Activities can be attributed to the 115 grants considered under the School Holiday Activity Fund. Increases in expenditure under Youth Issues and Emotional Wellbeing has created a very even spread throughout the remit of the Charity's giving within the year. Expenditure on projects under the Special Needs & Disability category fell partially attributed to two large capital grants under this Programme Area awarded in 2015/16, inflating the spend rate for that year.

## g) Funding by Grant Fund 2016/17

	2016/17		2015/16		2014/15	
	£'000	No. of grant payments	£'000	No. of grant payments	£'000	No. of grant payments
Main Grants <sup>3</sup>	8,184	254	7,790	261	6,173	250
Schools in Partnership	652	21	355	14	263	11
SHAF	518	115	318	71	-	-
Small Grants	101	27	126	30	152	38
School Explorer	2	2	1	1	2	2
Bursaries <sup>4</sup>	1,064	60	1,036	59	879	56
<b>Total</b>	<b>10,521</b>	<b>479</b>	<b>9,626</b>	<b>436</b>	<b>7,469</b>	<b>357</b>

As usual, the majority of the Charity's grants, 251, were paid under the Main Grants Fund. This Fund remains the most popular route to securing funding for the majority of organisations. Grants awarded under the Schools in Partnership increased over the year with spend on the Fund almost doubling from £354,850 in 2015/16 to £651,900 in 2016/17. The School Holiday Activity Fund (SHAF) has seen the biggest increase in expenditure with over £518,000 being awarded to 115 organisations within the financial year, compared to £318,000 to 71 organisations in 2015/16. As a result of this there has been the slight reduction in the number of Small Grants awarded over the

<sup>3</sup> Includes the three YPF restricted grants

<sup>4</sup> The total amount payable under the Bursary Fund includes payments for three grants awarded for music bursaries. These are accounted for in the Arts & Science Programme Area, not the Bursary Programme Area.

year, from 30 in 2015/16 to 27 in 2016/17. However, the Small Grants Fund remains popular amongst organisations that deliver small projects during term times that do not fit within the Charity's other Grant Funds.

A larger number of grants over £40,000 have been made during the year (66) compared to last year (44). This is indicative of the increasing level of need within the voluntary sector and the lack of funding opportunities available from other sources. It is now common for us to support the whole costs of a post or a project rather than seeking organisations to find match funding for the balance. A list of material grants over £40,000 can be found on the Charity's website [www.jlc.london](http://www.jlc.london).

	2016/17		2015/16		2014/15	
	£'000	No. of Grant Payments	£'000	No. of Grants	£'000	No. of Grants
<b>Grants over £40,000</b>	3,752	66	2,658	44	1,215	26
<b>Grants £21-£39,000</b>	4,596	156	4,972	173	4,229	155
<b>Grants under £20,000</b>	2,173	257	1,996	219	2,025	176
<b>TOTAL</b>	<b>10,521</b>	<b>479</b>	<b>9,626</b>	<b>436</b>	<b>7,469</b>	<b>357</b>

The large number of grants under £20,000 takes into account all of the SHAF grants and Small Grants awarded in the year.

#### **Main Grants Fund**

This is the principal fund for grants of over £5,000 and covers all the Programme Areas. The total of £8,184,000 represents 251 individual grants (excluding the 3 grants to YFPs) and 78% of the total spent in 2016/17.

#### **Schools in Partnership Fund**

The Schools in Partnership Fund was launched in 2010 to ensure that the Charity's resources were being expended directly for the benefit of the most disadvantaged young people and to help schools maximise the resources available and make them go as far as possible. Funds managed through schools are able to exploit the crucial link between schools, home-life and community as schools are uniquely placed to understand the dynamic between a young person's home-life and how support should be deployed.

All state schools within the Charity's Beneficial Area are eligible to apply to the Schools in Partnership Fund and all applications are submitted by groups of schools (of two or more). Preferably there is a partnership with a local voluntary organisation as well. This type of partnership has proven to be very fruitful.

Twelve new projects were funded under the Schools in Partnership Fund in 2016/17 taking the total number of active projects under this Fund to 21. A total of 91 schools within the Charity's beneficial area (80 primary, 4 secondary and 7 special) are now participating in projects funded under the Schools in Partnership Fund. The total spend under this programme in 2016/17 was £651,900, which was a significant increase on expenditure in the previous year (£354,850). The increase in applications to the Schools in Partnership Fund is as a result of both the Charity's increased efforts to ensure that all schools in the Beneficial Area are aware of the funding opportunities available and the fact that schools themselves are seeking to enhance their income by making applications to trusts and foundations.

#### **School Holiday Activity Fund**

The School Holiday Activity Fund (SHAF) was launched in 2015 to help organisations provide activities during the school holidays for children and young people. School holiday periods can be a daunting prospect for many families, particularly those from disadvantaged backgrounds who cannot afford holidays. The Fund is open to all registered charities working with children and young people within the Beneficial Area, including those organisations that the Charity is already supporting.

The response to the Fund by organisations within the Beneficial Area has been significant. In its second year, £518,371 was spent on holiday activities with 115 organisations benefiting. This is a staggering amount and a huge increase on the previous year (£317,704 to 71 organisations).

The increase in applications is a direct result of the Charity's efforts to advertise the Fund and encourage applications from a wide cross section of organisations throughout the Beneficial Area. In order to provide practical examples to groups of successful SHAF projects, the Charity held an evening networking session in April 2016 to encourage groups to think more imaginatively about how they might expend funding awarded under the SHAF. The activities that have been delivered using SHAF grants have been very broad and range from flying lessons, trips to the seaside, learning new digital media skills to having fun in the park.

### **Small Grants Fund**

The Small Grant Fund continues to be a popular way of securing funding from the Charity. Grants are available of up to £5,000. Expenditure under this Fund has reduced from £125,622 in 2015/16 to £101,512 in 2016/17. This reduction can be directly linked to the new School Holiday Activity Fund which has been used by groups for projects that might have previously been considered under the Small Grants Fund.

### **School Explorer Fund**

The School Explorer is open to all state primary schools and special schools based in the Charity's Beneficial Area. Grants awarded under this Fund are available to assist schools in accessing and taking part in Arts activities at the many high class cultural institutions in London. Applications can be made for the costs of transport to the Arts venue or for the cost of tickets or workshop fees.

Expenditure under this Fund in 2016/17 was £1,725 representing two grants. Whilst this is modest, it is an increase from the previous year when only one grant was awarded of £750. It is clear that more needs to be done by the Charity to encourage schools to consider applying to the Fund. Over the next year, the Fund will be reconsidered, in consultation with schools in the Beneficial Area, to see what barriers they face to making applications. The Charity will also work with Arts organisations to see if they could market the Fund on the Charity's behalf.

### **Bursary Fund**

Bursary grants are made as a contribution towards school fees for young people to attend the Foundation Schools (Harrow School and The John Lyon School) and girls' schools based in the Charity's Beneficial Area. Potential individual recipients in the Charity's beneficial area are identified by both the schools and the Charity for consideration. Girls are currently supported to attend North London Collegiate School, St Paul's Girls' School, Godolphin & Latymer, Notting Hill & Ealing and Northwood College. Bursary holders are selected based on criteria agreed with the Charity. Recipients are means tested and must provide evidence that their family cannot afford to contribute more than 25% of the school fee. Bursary awards are intended to provide a life-changing opportunity for a young person who would not normally be able to access these high quality educational institutions. Awards are for individuals in the beneficial area, but are paid directly to each school.

Over the year, the Charity maintained its level of funding under the Bursary Fund. In total, £1,063,826 was allocated as bursaries in 2016/17, reflecting only a slight increase from the spend in 2015/16 (£1,036,084). This represents 10% of the Charity's total expenditure, which is well within the maximum level, set at 15%.

The Charity continues its efforts to ensure that the bursary opportunities are publicised as widely as possible throughout the Beneficial Area. In order to do this, the Charity seeks to engage with primary schools throughout the Area to disseminate this message.

### **h) Policy Review 2016**

During the year, the Charity conducted a Policy Review, a process carried out every three years. The Review considered the Charity's grant-giving processes, procedures and policies. This is to ensure that the Charity's grant-giving is relevant for the next three years and to ensure that we are being responsive to the right people for the

right reasons. The Review was conducted against the backdrop of economic and political uncertainty, meaning that the Trustee favoured continuing with a flexible policy with the opportunity to act with discretion as situations arise.

The Policy was formally adopted by the Trustee at their meeting in November 2016. No significant changes to the policy were deemed necessary at that time. The following recommendations were adopted:

- A cap on expenditure of individual grants for capital projects has been set at £250,000.
- A new Capacity Building Fund will be developed to provide additional support to organisations, over and above grant funding.
- A degree of flexibility will be introduced with the ability to award concurrent grants to organisations. Organisations may already hold grants under the Main Grants Fund and the SHAF at the same time; the new Capacity Building Fund will also be able to be held simultaneously with another grant and the School Explorer Fund is also open to schools already in receipt of a grant from the Charity.

#### **i) Young People's Foundations – An Update**

The most significant development in the last few years has been the establishment of the Young People's Foundations (YPFs). The Charity has played a key role in the development of this model, which has increased the Charity's profile both throughout the Beneficial Area as well as with other funders and Central Government. The YPF model responds to the current pressures experienced by the Children and Young People (CYP) sector including the significant cuts to youth and play services, with further reductions in capacity and the facilities available for such work on the horizon. This low level of available funding is making local authority run youth services unsustainable and as a result, we have seen the necessity for change and the creation of new models of delivery.

YPFs are member organisations. They work to support and safeguard existing CYP provision and promote the activities of and the funding sources for their members in their local area and to preserve facilities for community use.

The Charity had been instrumental in setting up the first three YPFs in Barnet, Brent and Harrow in 2015/16. In 2016/17 it has helped to establish YPFs in Ealing, Hammersmith and Fulham, Camden Kensington & Chelsea and Westminster. Each of the three original YPFs has been awarded a grant of £100,000 per annum for three years from John Lyon's Charity, which has been matched by City Bridge Trust. We are delighted with the response from other trusts and foundations who have expressed an interest in this model and who are interested in establishing and supporting YPFs in areas outside the Charity's Beneficial Area.

In total, the Charity has committed funding of £1,650,000 towards the YPF model. More information on the YPF Model can be found on our website [www.jlc.london](http://www.jlc.london).

#### **j) Partnerships with Other Funders**

The Charity continues to play an active part in London Funders and other forums promoted by the Mayor's Office and others. This has helped the Charity utilise these networks to encourage other Funders to embrace the YPF model.

The Charity particularly values its relationship with London Youth, which has developed quality assessment models for youth work and for the Young Peoples Foundations, and with the National Resource Centre for its work with supplementary schools, which was the subject of the Institute for Public Policy Research report on Supplementary Education and how mainstream schools can work together with supplementary schools.

#### **k) Consultation with Local Authorities**

The Charity values its relationships with key figures in the local authorities in the Beneficial Area. Regular meetings continue to be held with key local authority contacts in youth services, Music Hubs, Virtual Schools and the Charity's Designated Officers. These partnerships enable the Charity to maximise scarce resources, foster collaboration between organisations in each local authority's area and create a secure basis for delivering services for young people in the boroughs.

**l) Perspectives**

The Charity held a conference in June 2016 at the Lyric Theatre, Hammersmith to launch *Perspectives*, a document that records the views of arts organisations, special schools, Music Hubs and Funders on what they see as being important to successful partnership working within the Arts. It was compiled and produced by the Charity's Music Adviser, Jean Carter. It is hoped that by highlighting the differences between the different sectors as well as areas of commonality, a larger number of arts activities in special schools can be developed. Over 60 delegates from a range of arts organisations and special schools throughout the Beneficial Area attended. Feedback from the session was all very positive, with most people valuing the 'Speed Circles' opportunity to meet everyone in the room.

The launch of *Perspectives* started a very important conversation between Arts providers and special schools, and delegates at the conference were asked how they would like to develop this conversation into something more practical. There are a number of areas that the Charity can now consider pursuing to develop this work further and encourage more arts activities to happen in special schools including the creation of an online forum to share ideas and successes and setting up a working group of key players in the sector to continue the conversations.

**m) Office**

A significant change within the year has been the Charity's move to its own premises. This is the first time the Charity has had its own offices, with the capability to hold seminars and meetings. This development acknowledges the Charity's growth and its position as one of the most significant grant funders in London.

**n) Future Plans**

The Charity is working to implement the changes adopted in the Policy Review, in particular establishing the new Capacity Building Fund. Work is already underway to consider the parameters of this Fund and how it could be of most use to organisations. It is intended that the Fund provide voluntary sector organisations with a small amount of funding to enable them to access training, support and guidance to help them achieve a specified goal for their organisation. It is envisaged that this Fund will be open only to those organisations that have already received a grant from the Charity under one of the Charity's other grant Funds.

The Charity is working on ideas to create funding 'surgeries' for applicants in advance of application deadlines. This opportunity to talk through an application with a member of the Charity's Grants Team is invaluable to organisations who are nervous of the fundraising process.

In addition, the Charity is developing a seminar package targeted directly at schools. It is felt that schools present the weakest applications for funding as they are traditionally not in the habit of supplementing their income from external sources. With the increase in the number of School Business Managers, and head teachers being stretched in many different directions, it is felt that the Charity could play an important role in helping schools access the Charity's funds and present better funding applications to a variety of different funders.

**Financial Review of the Charity****Endowment and Total Return Policy**

The Charity's endowment, which is permanent, derives from conveyances by John Lyon in 1578 and 1581 when the original land in St John's Wood was acquired at a price of £660. It is believed that there have been no material additions to the endowment since the Charity's foundation.

The Trustee originally adopted a total return policy to determine the level of expenditure based on the Charity Commission order made in January 2006. This has been revised in the intervening period and a further resolution was adopted under s 104 of the Charities Act 2011 on 18<sup>th</sup> March 2017 which will apply in the next financial year.

In determining the initial unexpended total return, the Trustees have adopted the valuation of the Charity's assets on 31<sup>st</sup> March 1997, which was the first occasion on which the open market value of all the Charity's assets had been determined. The valuation was £63.8 million and the initial, unapplied total return was £176.7 million. As at 31<sup>st</sup> March 2017, the unapplied total return is £301.44 million.

The Trustee considered it appropriate to adopt a methodology that gives a degree of certainty and stability to the amount available to be applied for charitable purposes each year. The amount is determined by taking an average of the value of the Charity's assets at the end of each financial year and at the end of the previous three years. The policy allowed the Trustee to expend up to 4% of that rolling average on charitable activities including support costs and governance costs, but excluding the cost of managing the endowment assets. With effect from 1<sup>st</sup> April 2017 the rate has been reduced to 3.25% in the expectation that the current low levels of return on investment assets will continue for a sustained period.

**Investment Policy**

A formal investment policy is in place setting out the strategic asset allocation. This takes account of the Charity's extensive property interests and the basis for the measurement of the performance of the various asset classes. The tactical asset allocation is reviewed and revised regularly by the Foundation Investment Committee and the Management Committee.

The St John's Wood estate, consisting principally of residential properties let on long leases, is subject to compulsory disposal of the property interests under the leasehold enfranchisement legislation. It is considered, for the time being, that it is appropriate to retain this original endowment with a view to maximising the proceeds arising under the enfranchisement legislation. In the year, total proceeds of £9.6 million have been received (2015/16 - £6.0 million). The residual value of the reversionary properties as at 31<sup>st</sup> March 2017 is £34.3 million (2015/16 - £38.8 million). The investment policy excludes these reversionary properties from the asset allocation as they are not regarded as readily disposable on the open market at a level that recognises the full potential realisable on enfranchisement.

Since 2002 it has been the Trustee's policy to invest half the proceeds of the St John's Wood estate in commercial properties and half in the investment portfolio, with a number of prime residential properties on the original estate being retained where vacant possession has been obtained.

The asset allocation is:

Asset Class	Value at 31 March 2017		Value at 31 March 2016	
	£'000	%	£'000	%
<b>Investment Assets</b>				
Fixed Interest	6,235	2	6,128	2
Gilts	-	-	888	0
UK Equities	19,394	5	16,888	5
Global Equities	62,290	17	37,930	11
Hedge funds/Alternatives	33,212	9	17,593	5
Cash	21,908	6	50,710	15
<b>Total Investments</b>	<b>143,039</b>	<b>39</b>	<b>130,137</b>	<b>38</b>
<b>Property Assets</b>				
Residential Estate	61,253	17	60,447	18
Commercial Property	102,750	28	94,550	27
Indirect Property Funds	12,632	4	15,983	5
<b>Total Property</b>	<b>176,635</b>	<b>49</b>	<b>170,980</b>	<b>50</b>
<b>Investment Assets Totals</b>	<b>319,674</b>	<b>88</b>	<b>301,117</b>	<b>88</b>
Reversionary Estate	34,315	9	38,787	11
Other Net Assets	11,344	3	3,081	1
<b>Total Assets</b>	<b>365,333</b>	<b>100</b>	<b>342,985</b>	<b>100</b>

The Total Return for the total assets (before management expenses) in the year was £35.5 million, bringing the total assets to £365.3 million (a 6.5% increase on the previous year).

From the beginning of 2016 the Investment Committee took an increasingly cautious view of the financial outlook and increased the liquidity to nearly 50% of the investment portfolio holding at times during the year in excess of 75% of the cash in US dollars. Whilst this proved very positive for returns in face of the surprising political events of 2016, the strength of the world-wide equity markets was not anticipated. The Investments Committee has retained its cautious stance, but has since reduced its US Dollars exposure. The total return on the Investment Portfolio was £18.4 million (13.9%)<sup>5</sup> which is considered satisfactory given the defensive asset allocation adopted.

The Charity has continued to invest in both residential property and commercial property. Despite a softening of central London residential property values, the valuation gains were £4.6 million and the commercial property assets added £5.8 million.<sup>6</sup>

<sup>5</sup> From Cazenove Capital's Report, 31/03/17

<sup>6</sup> This represents total of realised and unrealised gains



**Annual Income**

The income of the Charity derived from its investments amounted to £7.9 million, a decrease of 2.9% from £8.1 million in 2015/16. The amount available to be applied as annual income under the total return policy was £12.67 million, of which £11.37 million was utilised. Following the amendment of the Total Return policy the unexpended amount of £1.3 million will be carried forward to be applied in 2017/18 in addition to the amount available under the new policy of £11.0 million.

**Reserves Policy**

The Charity has not historically maintained an unrestricted reserve because of the high level of the unapplied Total Return; however as part of the review of the total return policy the Charity considers that having an unrestricted reserve is now appropriate.

**Staff Remuneration**

Staff salaries including key management personnel are reviewed annually by the Management Committee and 5 annual reviews are approved after consideration of available information on remuneration at other grant-making charities of a similar size and activity to ensure that the remuneration set is fair and not out of line with that generally paid for similar roles.

The Charity is a Living Wage employer and as such is committed to ensuring staff are paid fairly with a view to retaining and attracting appropriately skilled staff to deliver the Charity's objectives

**Future Commitments**

Commitments have been given for grants over the next three years totalling, £7.4 million in 2017/18, £4.0 million in 2018/19 and £6.4 million in subsequent years for projects that the Charity has agreed in principle to fund on a longer-term basis, payment of which is, in each case, contingent on the stipulated conditions being met, a review of progress and authorisation by the Grants Committee.

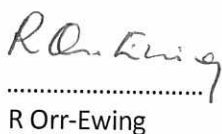
**Risk Management**

The Trustee, which is responsible for the management of risks faced by the Charity, is satisfied that the major risks identified through the risk management processes are adequately managed but recognise that systems can provide reasonable assurance, but no absolute guarantee, that all important risks are identified and appropriately managed.

**Auditors**

PKF Littlejohn LLP has expressed its willingness to continue in office as auditors.

  
.....  
S Whiddington

  
.....  
R Orr-Ewing

For and on behalf of the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon as Trustee.

17<sup>th</sup> June 2017

**Statement of the Trustees' Responsibilities**

The Trustee is responsible for preparing the Report of the Trustee and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources of the Charity for that period. In preparing these Financial Statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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 Charity will continue in business.

The Trustee is responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enables it to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Scheme. It is also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the charity and financial information included on the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Members of the Corporation and the Chief Executive has confirmed, so far as he or she is aware, that there is no relevant audit information of which the Auditors are unaware, and each Member has taken all the steps that he or she ought to have taken as a Member of the Corporation to make themselves aware of any relevant audit information and to establish that the Auditors have been made aware of that information.

**Report of the Independent Auditor to the Trustee of John Lyon's Charity**

We have audited the Financial Statements of John Lyon's Charity (the Charity) for the year ended 31 March 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, the accounting policies and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Trustee, as a corporate body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to that body 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 Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Trustee and Auditors**

As explained more fully in the Trustee's Responsibilities Statement (set out on page 17), the Trustee is responsible for the preparation of financial statements which give a true and fair view. We have been appointed auditors to the Charity under Section 144 of the Charities Act 2011 and report in accordance with regulations made under Section 154 of that Act. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed: the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Report of the Trustee to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

**Opinion on financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2017 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

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

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you, if, in our opinion:

- the information given in the Report of the Trustee is inconsistent in any material respect with the Financial Statements; or
- sufficient accounting records have not been kept; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PKF Littlejohn LLP  
Statutory Auditor



1 Westferry Circus  
Canary Wharf  
London E14 4HD

*30 August*  
..... 2017

PKF Littlejohn LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

## JOHN LYON'S CHARITY

## STATEMENT OF FINANCIAL ACTIVITIES

	Note	Restricted Fund £'000	Unrestricted Fund £'000	Endowment Fund £'000	Total Funds 2016/17 £'000	Total Funds 2015/16 £'000
<b>Income and endowment from:</b>	1					
Charitable activities		-	-	-	-	300
Property investments	2	-	-	5,699	5,699	5,650
Investments	3	-	-	2,187	2,187	2,477
<b>Total income and endowment</b>		-	-	7,886	7,886	8,427
<b>Expenditure on:</b>						
Raising funds	4	-	-	1,392	1,392	1,267
Charitable activities	5-6	300	11,418	-	11,718	10,538
<b>Total expenditure</b>		300	11,418	1,392	13,110	11,805
<b>Net gains on property investments</b>		-	-	10,413	10,413	5,974
<b>Net gains/(losses) on investments</b>		-	-	17,159	17,159	(1,097)
<b>Net income/(expenditure)</b>		(300)	(11,418)	34,066	22,348	1,499
Transfers between funds	10	-	12,668	(12,668)	-	-
<b>Net Movement in Funds</b>		(300)	1,250	21,398	22,348	1,499
<b>Reconciliation of funds:</b>						
Total funds brought forward		300	-	342,685	342,985	341,486
<b>Balance at end of year</b>		-	1,250	364,083	365,333	342,985

There are no recognised gains or losses except as shown above and all income is derived from continuing activities. Comparative figures for the respective funds are set out in note 1.

The Accounting Policies and Notes on pages 23 to 35 form part of these Financial Statements.

## JOHN LYON'S CHARITY

BALANCE SHEET  
at 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Fixed Assets</b>			
Tangible assets	7	269	5
Investment properties	8	198,318	193,784
Investments	9	155,671	146,120
		<hr/>	<hr/>
		354,258	339,909
Debtors: due within more than one year	11	5,793	2,000
<b>Current Assets</b>			
Debtors	11	7,963	1,147
Cash at bank		949	3,133
		<hr/>	<hr/>
		8,912	4,280
<b>Creditors: due within one year</b>	12	(3,630)	(3,204)
		<hr/>	<hr/>
<b>Net Current Assets</b>		5,282	1,076
		<hr/>	<hr/>
		365,333	342,985
		<hr/> <hr/>	<hr/> <hr/>
<b>Represented by:</b>			
Endowment fund	14a	364,083	342,685
Unrestricted fund	14b	1,250	-
Restricted fund	14c	-	300
		<hr/>	<hr/>
	19	365,333	342,985
		<hr/> <hr/>	<hr/> <hr/>

The Trustee's Report and these Financial Statements were approved by the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon as Trustee on 17<sup>th</sup> June 2017 and signed on the Trustee's behalf by:

S Whiddington

R Orr-Ewing

The Accounting Policies and Notes on pages 23 to 35 form part of these Financial Statements.

	Note	2016/17 £'000	2015/16 £'000
Net Cash outflow from Operating Activities	20	(17,526)	(6,216)
Net Cash inflow from Capital Expenditure and Financial Investment Activities	21	13,155	5,946
Returns on Investment and Servicing of Finance	21	2,187	2,609
		—	—
(Decrease)/increase in Cash in the Period		(2,184)	2,339
		—	—
Opening cash at the beginning of the year		3,133	794
Movement in cash in the year		(2,184)	2,339
		—	—
Cash at the end of the year		949	3,133
		—	—

The Accounting Policies and Notes on pages 23 to 35 form part of these Financial Statements.

**General information and basis of preparation**

John Lyon's Charity is a charitable trust registered in the United Kingdom. The registered address and charity office is given in the charity information on page 3 of these financial statements. The nature of the charity's operations and principle activities are grant making.

The charity constitutes a public benefit entity as defined by Financial Reporting Standards ('FRS102'). The financial statements have been prepared in accordance with 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 UK and Republic of Ireland (FRS 102), the charities Act 2011, and UK General Accepted Practice as it applies from 1 April 2016.

The financial statements have been prepared to give a 'true and fair' view and have departed from the charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and reporting by Charities: Statement of recommended Practice effective from 1 April 2005 which has been withdrawn.

The Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in Sterling which is the functional currency of the charity and rounded to the nearest £000.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

**Investment Properties**

Investment Properties are stated at open market value in order to comply with the provisions of the Statement of Recommended Practice, Accounting and Reporting by Charities. Investment Properties which comprise the Reversionary Estate, Residential and Commercial Properties are valued annually as at the year end.

Open market value is defined as the best price at which the sale of an interest in property would have been completed unconditionally for a cash consideration on the date of valuation, assuming:

- a. a willing seller;
- b. that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- c. that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- d. that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- e. that both parties to a transaction had acted knowledgeably, prudently and without compulsion.

Gains and losses recognised on revaluation, and gains and losses realised on the sale of investment properties, are taken to the Endowment Fund and included in the SOFA.

No depreciation is charged on Investment Properties.



**Rental Income**

Rental income is accounted for by reference to the due date under the lease or tenancy.

**Investments**

Investments are stated at market value as at the year-end.

All gains and losses on sale, and unrealised gains and losses on revaluation of investments at year-end market value, are taken to the Endowment Fund and included in the SOFA.

**Tangible fixed assets**

Fixed assets acquired with a value below £1,000 are evaluated for capitalisation based on the economic benefit derived in use. All other assets are capitalised. Leasehold improvements are depreciated over the term of the lease.

Office and computer equipment are depreciated at between 20% and 33% on an annual straight line basis over the assets useful lives.

**Grants**

Grants payable represent grants paid and payable in the year. Grants payable over a number of years are not recognised until the Trustee is satisfied that the stipulated conditions have been met and payment of a further instalment has been authorised on the recommendation of the Grants Committee.

**Taxation**

The Charity is generally exempt from direct taxation on investment income and capital gains but is subject to Value Added Tax (VAT). Unless stated otherwise relevant expenditure is shown inclusive of VAT.

**Pension Costs**

Pension contributions, which are to defined contribution schemes, are charged to the SOFA in the period to which they relate.

**Operating Leases**

Rentals payable under operating leases are charged to the SOFA on a straight-line basis over the period of the lease.

1. Analysis of the Statement of Financial Activities  
for the year ended 31 March 2016

	Restricted Fund 2015/16 £'000	Unrestricted Fund 2015/16 £'000	Endowment Fund 2015/16 £'000	Total Funds 2015/16 £'000
<b>Income and endowment from:</b>				
Charitable activities	300	-	-	300
Property investments	-	-	5,650	5,650
Investments	-	-	2,477	2,477
<b>Total income and endowment</b>	<u>300</u>	<u>-</u>	<u>8,127</u>	<u>8,427</u>
<b>Expenditure on:</b>				
Raising funds	-	-	1,267	1,267
Charitable activities	-	10,538	-	10,538
<b>Total expenditure</b>	<u>-</u>	<u>10,538</u>	<u>1,267</u>	<u>11,805</u>
<b>Net gains on property investments</b>	-	-	5,974	5,974
<b>Net losses on investments</b>	-	-	(1,097)	(1,097)
<b>Net income/(expenditure)</b>	<u>300</u>	<u>(10,538)</u>	<u>11,737</u>	<u>1,499</u>
Transfers between funds	-	10,538	(10,538)	-
<b>Net Movement in Funds</b>	<u>300</u>	<u>-</u>	<u>1,199</u>	<u>1,499</u>
<b>Reconciliation of funds:</b>				
Total funds brought forward	-	-	341,486	341,486
<b>Balance at end of year</b>	<u>300</u>	<u>-</u>	<u>342,685</u>	<u>342,985</u>

<b>2. Income from Property</b>	<b>2016/17</b>	<b>2015/16</b>
	£'000	£'000
Residential rents	2,404	2,264
Commercial rents	3,295	3,386
	<hr/>	<hr/>
<b>Total Incoming Resources from property</b>	<b>5,699</b>	<b>5,650</b>
	<hr/>	<hr/>
<b>3. Income from Investments</b>	<b>2016/17</b>	<b>2015/16</b>
	£'000	£'000
Investments	1,697	2,212
Bank and deposit interest	21	16
Loan interest	469	249
	<hr/>	<hr/>
<b>Total Incoming Resources from investments</b>	<b>2,187</b>	<b>2,477</b>
	<hr/>	<hr/>
<b>4. Expenditure on Raising funds</b>	<b>2016/17</b>	<b>2015/16</b>
	£'000	£'000
Property management charges	177	340
Property repairs and other expenses	897	685
	<hr/>	<hr/>
<b>Total cost of generating income from property</b>	<b>1,074</b>	<b>1,025</b>
Other management costs	318	242
	<hr/>	<hr/>
	<b>1,392</b>	<b>1,267</b>
	<hr/>	<hr/>

## 5. Analysis of Charitable Activities

Direct charitable expenditure represents grants made under the Scheme by the Charity. The policy of the Trustee is to restrict grants to registered or exempt charities and not to make grants to individuals.

	<b>Total 2016/17</b>	<b>Grant Funded Activity</b>	<b>Support Costs</b>	<b>Total 2015/16</b>	<b>Grant Funded Activity</b>	<b>Support Costs</b>
	£'000	£'000	£'000	£'000	£'000	£'000
Arts & Science	1,882	1,685	197	1,516	1,385	131
Children & Families	1,050	940	110	1,236	1,129	107
Education & Learning	1,485	1,329	156	1,285	1,174	111
Emotional Wellbeing	979	876	103	740	676	64
Other	8	7	1	9	8	1
Special Needs & Disability	444	397	47	1,044	954	90
Sport	651	583	68	599	547	52
Training	623	558	65	520	475	45
Youth Clubs and Youth Activities	1,873	1,677	196	1,845	1,685	160
Youth Issues	1,249	1,118	131	650	594	56
Bursaries	1,174	1,051	123	1,094	999	95
Restricted grants	300	300	-	-	-	-
	<u>11,718</u>	<u>10,521</u>	<u>1,197</u>	<u>10,538</u>	<u>9,626</u>	<u>912</u>

## 6. Support Costs

The breakdown of support costs is shown in the table below. The allocation to Charitable Activities is shown in note 5 above.

	<b>2016/17</b>	<b>2015/16</b>
	£'000	£'000
Administration fees	111	179
Audit fees		
- current year	27	28
- prior year under provision	6	4
Valuation fees		
- current year	32	32
- prior year under provision	2	16
Depreciation	68	1
Consultancy fees	62	55
Staff costs	485	393
Operating lease - Offices equipment	9	2
Other support costs	395	202
	<u>1,197</u>	<u>912</u>

## 6. Support Costs (continued)

	2016/17	2015/16	£'000	£'000
<b>Staff Costs</b>				
Wages and salaries			382	314
Social security costs			43	31
Pension & health care contributions			60	48
			<u>485</u>	<u>393</u>

The Charity contributes 15% of pensionable salary to the Pensions Trust, a defined contribution pension scheme established for the employees of voluntary organisations. All employees are members of this scheme (The Flexible Retirement Plan) for which the Charity has no residual liability.

Average number of employees during year: 9 7

In the year one employee was entitled to emoluments falling in the band of £60,001 - £70,000 (2015/16-one) and one falling in the band of £70,001 - £80,000 (2015/16 – one).

The total amount of employee benefits received in the year by key management personnel, which included the Chief Executive Officer who was a partner in Pemberton Greenish, whose costs are recharged to the Charity, was £310,224 (2016 - £237,308). The Charity considers its key management personnel to comprise the Chief Executive Officer, Grants Director, Finance Director and the Trustee.

## 7. Tangible Fixed Assets

	Leasehold Improvement	Furniture & equipment	Total
	£'000	£'000	£'000
Cost at 1 April 2016	-	6	6
Additions in the year	266	66	332
	<u>266</u>	<u>72</u>	<u>338</u>
At 31 March 2017	266	72	338
	<u>266</u>	<u>72</u>	<u>338</u>
Depreciation at 1 April 2016	-	1	1
Depreciation charge in year	53	15	68
	<u>53</u>	<u>16</u>	<u>69</u>
At 31 March 2017	53	16	69
	<u>53</u>	<u>16</u>	<u>69</u>
Net book value at 31 March 2017	213	56	269
	<u>213</u>	<u>56</u>	<u>269</u>
	<u>213</u>	<u>56</u>	<u>269</u>
Net book value at 31 March 2016	-	5	5
	<u>-</u>	<u>5</u>	<u>5</u>

8. Investment Properties	2017 £'000	2016 £'000
Reversionary estate	34,315	38,787
Residential properties	61,253	60,447
Commercial Properties	102,750	94,550
	<hr/>	<hr/>
Market value	198,318	193,784
	<hr/>	<hr/>
Balance at beginning of year	193,784	177,398
Additions at cost	14,278	23,513
Unrealised gain on revaluation	5,937	4,815
Disposals at valuation	(15,681)	(11,942)
	<hr/>	<hr/>
Balance at end of year	198,318	193,784
	<hr/>	<hr/>

The investment properties were revalued as at 31 March 2017 by Cluttons LLP, Chartered Surveyors, having been previously revalued as at 31 March 2016, in accordance with guidance set out in the Valuation and Appraisal Manual of the Royal Institution of Chartered Surveyors.

Properties forming the Charity's original endowment and properties acquired prior to 31 March 1997 were not recorded in the Balance Sheet at the date of acquisition; most of these were acquired many years ago and it is not practicable to identify and disclose the original cost, which is unlikely to be material. Properties acquired and capitalised improvements since 31 March 1997 and retained within the portfolio have a cost of £61.1m (2016 - £62.6m).

Disposals at valuation during the year resulted in a realised gain of £4.5 million (2015/16 - £1.2 million).

9. Investments	2017 £'000	2016 £'000
Free (Main) Fund	141,932	128,632
Special Fund	13,739	17,488
	<hr/>	<hr/>
Market value	155,671	146,120
	<hr/>	<hr/>
Historical cost	107,724	117,044
	<hr/>	<hr/>

Included in the above is cash invested and cash held for investment of £1,106,647 (2016 - £1,504,622) in the Special Fund and £20,801,516 (2016 - £47,843,605) in the Free Fund. The Special Fund is defined in the Governing Documents.

Investment movements in the year are summarised as follows:

	2017 £'000	2016 £'000
Balance at beginning of year	146,120	163,580
Investment purchases	18,730	40,345
Net investment realisations	(26,744)	(74,422)
Unrealised surplus on revaluation	14,153	4,092
Net movement in cash held for investment	3,412	12,525
	<hr/>	<hr/>
Balance at end of year	155,671	146,120
	<hr/>	<hr/>

Net investment realisations resulted in realised gains of £3.006m (2015/16 – losses of £5.189m).

## 9. Investments (continued)

## Investment management charges

	Rate %	Fee £'000
Cazenove Capital management fee	0.09	132
In House fund charge	0.23	314
	—	—
Total Schroders fees	0.32	446
Other fund charges	0.57	790
	—	—
Total annual management charge	0.89	1,235
Additional fund charges	0.22	307
	—	—
Total expense ratio	1.31	1,828
	—	—

All investments are held in the Endowment Fund.

At 31 March 2017 the following investments accounted for more than 5% of the overall portfolio:

	%
Institutional USD Liquidity Fund	11.7
Lansdowne Developed Markets Absolute -N-Shares	10.2
Schroder UK Opportunities Fund Z Income shares	6.4
Findlay Park American Fund	5.9
Schroder Multi Manager International Fund	10.1
BlackRock Gold & General Fund	12.9
Ishares Physical Gold PLC	9.4
Unite student accommodation	6.0

## 10. Application of the Power of Total Return

In January 2006, the Charity Commission made an order permitting the Charity to adopt total return investment powers in relation to its permanent endowment in the form of the Commission's model order. In March 2012 the Trustee resolved that, subject to the Charity Commission's approval, the Order be implemented with effect from 1 April 2012 on the basis that the amount applicable for charitable purposes of the charity shall be determined by reference to the value of all the Charity's assets. The Charity Commission's approval was given on 12 June 2012.

The Policy adopted and approved by the Charity Commission provides that the amount to be applied annually is determined by taking an average of the value of the Charity's assets on the last four balance sheet dates. The policy allows the Trustee to expend up to 4% (3.25% from 31 March 2017) of that rolling average on charitable activities including support costs and the cost of generating funds and governance costs. The calculation to determine the amount available in the years to 31 March 2017 and 2018 is:

Year ended:	Asset Values £'000	4 year Average £'000	Expendable Percentage of average %	Expendable amount £'000
31 March 2014	307,416	260,544	4	10,422
31 March 2015	341,486	291,225	4	11,649
31 March 2016	342,985	316,710	4	12,668
31 March 2017	366,333	339,305	3.25	11,027

The amount available for the year ended 31 March 2017 was £12,668,000, and for 2017/18 is £11,027,000

**10. Application of the Power of Total Return (continued)**

In the current and prior year, the amount available and applied in accordance with the policy was:

	2016/17	2015/16
	£'000	£'000
Expendable amount	12,668	11,649
Transferred to Unrestricted Fund	(12,668)	(10,490)
	<hr/>	<hr/>
Reinvested	-	1,159
	<hr/>	<hr/>

The application of total return to the permanent endowment fund is summarised below:

<b>Movements in the Total Return Fund in the Year and Application of Total Return from the Endowment Fund</b>	<b>2016/17</b>	<b>2015/16</b>
	£'000	£'000
Opening value of endowment fund at 1 April	342,685	341,486
Less: Opening value of the fund at 31 March 1997	(63,797)	(63,797)
	<hr/>	<hr/>
Opening value of Total Return Funds	278,888	277,689
Add:		
Investment return – income	7,886	8,127
Investment return – realised/unrealised gains	27,572	4,877
	<hr/>	<hr/>
	314,346	290,693
Less:		
Raising funds	(1,392)	(1,267)
	<hr/>	<hr/>
Unapplied total return before transfers carried forward	312,954	289,426
Return applied during the year	(12,668)	(10,538)
	<hr/>	<hr/>
Unapplied total return as at 31 March	300,286	278,888
Add: value of the fund at 31 March 1997	63,797	63,797
	<hr/>	<hr/>
	364,083	342,685
	<hr/>	<hr/>



11. Debtors	2017 £'000	2016 £'000
Amounts due from tenants and managing agents	1,663	813
Other debtors and prepayments	177	334
Proceeds due on property sales	6,123	-
	<hr/>	<hr/>
Due within one year	7,963	1,147
Due within more than one year	5,793	2,000
	<hr/>	<hr/>
	13,756	3,147
	<hr/> <hr/>	<hr/> <hr/>

The amount due within more than one year relates to loans and accrued interest repayable on or before December 2018 and June 2020 respectively. Both loans are secured and carry a premium rate of interest.

12. Creditors: amounts falling due within one year	2017 £'000	2016 £'000
Grants payable	2,974	2,569
Other creditors and accruals	656	635
	<hr/>	<hr/>
	3,630	3,204
	<hr/> <hr/>	<hr/> <hr/>

### 13. Operating Lease Commitments

As at 31 March 2017 the total minimum payments to which The Charity is committed under non-cancellable operating leases for property and office equipment are:

	2017 £'000	2016 £'000
Expiring later than one and not later than five years	755	288
	<hr/> <hr/>	<hr/> <hr/>

On termination of the new lease for property there is likely to be a claim for dilapidations and reinstatement, which it is not expected to exceed £60,000. No dilapidation costs were payable under the lease surrendered in November 2016.

### 14. Funds

#### a. Endowment Fund

The capital assets of the Charity are those derived from the Founder's original gift of land in 1578 and 1581 and represent permanent endowment, subject to the application of the Total Return policy.

#### b. Unrestricted Fund

The Unrestricted Fund represents income available for distribution in accordance with the Scheme referred to in the Report of the Trustee.

#### c. Restricted Fund

The restricted Fund represents a grant received from The City Bridge Trust to co-fund the salary and running costs of Young People's Foundations in each of the boroughs of Brent, Harrow and Barnet, for one year.

## 15. Transactions with the Trustee and Connected Persons

The Charity made grants in the year to both Harrow School of £371,051 (£313,414 in 2015/16) and The John Lyon School of £438,797 (£491,632 in 2015/16) for the benefit of individuals resident in the Beneficial Area. Grants for bursaries enable individuals to attend those Schools, who would not be able to do so without that financial support. These grants are aimed at providing wider access to education at the schools and are consistent with the Founder's original intention for the application of his endowment.

Each member of the Corporation and the principal officers are required to complete a declaration of interest statement each year for the purpose of identifying and ensuring proper disclosure of such interests. Five grants totalling £138,000 (2015/16 – three grants totalling £116,860) were made to charities where one or more such persons are charity trustees. No other transactions have taken place between the Charity and the Trustee or any member of the Corporation.

The Clerk to the Corporation Is a partner and the Chief Executive (to May 2017) was also a partner in the firm of Pemberton Greenish LLP which acts as Solicitors to the Charity. Under the terms of a detailed contract for services that firm provides administration, office and computer services, which were recharged to the Charity as follows:

	<b>2016/17</b>	<b>2015/16</b>
	£'000	£'000
Salaries	122	239
Office costs	33	44
Computer and IT support	15	24
	—	—
	170	307
	—	—

In addition, and as shown below, legal fees are paid by the Charity to Pemberton Greenish LLP for work undertaken in connection with the management of the Charity's estates, which are included in the property expenses detailed in Note 4, and for work undertaken in the sale and purchase of property on the Charity's estates, which are included in expenses charged to capital.

	<b>2016/17</b>	<b>2015/16</b>
	£'000	£'000
Fees charged to Endowment Fund in respect of the sale of investment properties	284	234
	—	—

VAT and out of pocket expenses are not included in the above figures.

The Chief Executive Officer (up to 31 March 2017) received no remuneration or expenses personally from the Charity.

The charity's offices were at 45 Cadogan Gardens and occupied under the terms of an underlease granted by Pemberton Greenish LLP. In November 2016 the charity's office moved to 45a Cadogan Gardens under a new lease from a third party (see note 13).

**15. Transactions with the Trustee and Connected Persons – (continued)**

The Charity's property managing agents, Cluttons LLP, are not a related party as defined under Financial Reporting Standard 102, but in the interests of transparency the remuneration for their services, based on a detailed contract of engagement, paid by the Charity are:

	<b>2016/17</b>	<b>2015/16</b>
	£'000	£'000
Management fees and insurance commissions	177	340
Valuation and lease audit fees	34	44
Capital transaction fees	250	311
	—	—
	461	695
	—	—

The Management Committee reviews the terms of engagement of the Charity's professional advisers annually.

No individual member of the Trustee received any expenses or other remuneration from the Charity.

**16. Ultimate Controlling Party**

The ultimate controlling party is the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon, as Trustee (registered charity No. 310033).

**17. Future Commitments****Grant commitments**

The Charity has committed to multi-year grants including bursary support totalling £17.8 million up to 2023/24, payment of which is in each case contingent on the stipulated conditions being met, following a review of progress by the Grants Committee, and formal authorisation by the Trustee.

**Capital Commitments**

There were no capital commitments as at 31 March 2017 (2016 - £1.0 million)

**18. Contingent liabilities**

The charity is involved in a number of legal actions which includes an action which has been referred to the Court of Appeal and all of which are related to property assets. The costs related to these actions cannot be reasonably quantified and the outcome uncertain and therefore no provision has been made in these financial statements.

**19. Analysis of net assets between funds**

	<b>Restricted</b>		<b>Endowment</b>	
	<b>Fund</b>	<b>Unrestricted Fund</b>	<b>Fund</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
Fixed assets	-	-	354,258	354,258
Debtors due in more than one year	-	-	5,793	5,793
Other current assets/liabilities	-	1,250	4,032	5,282
	—	—	—	—
<b>Total</b>	-	1,250	364,083	365,333
	—	—	—	—

20. Reconciliation of Net Incoming Resources before Grants to Net Cash Inflow from Operating Activities	2016/17 £'000	2015/16 £'000
Total income	7,886	8,427
Total expenditure before grants	(2,589)	(2,179)
Net incoming resources before grants	<u>5,297</u>	<u>6,248</u>
Grants from annual income	(10,221)	(9,626)
Grants from restricted income	(300)	-
Net outgoing resources after grants	(5,224)	(3,378)
Depreciation charge for the year	68	-
(Increase) in debtors	(10,609)	(1,256)
Increase/(decrease) in creditors	426	(1,027)
Income from listed investments and deposit interest	(2,187)	(2,609)
Net Cash outflow from Operating Activities	<u>(17,526)</u>	<u>(6,216)</u>
<b>21. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement</b>		
<b>Capital Expenditure and Financial Investment Activities</b>		
Net proceeds from property transactions	6,188	10,023
Expenses charged to Endowment Fund	(309)	(388)
Sale of investments	29,750	69,233
Purchase of investments (note 9)	(18,730)	(41,228)
Purchase of plant and equipment (note 7)	(332)	6
(Decrease) in cash held for investment (note 9)	(3,412)	(11,642)
<b>Net Cash inflow from Capital Expenditure and Financial Investment Activities</b>	<u>13,155</u>	<u>5,946</u>
<b>Net Proceeds from Property Transactions</b>		
Freehold/lease premium proceeds	20,466	13,490
Purchase of properties (note 8)	(14,278)	(23,513)
	<u>6,188</u>	<u>10,023</u>
<b>Returns on Investment and Servicing of Finance</b>		
Income from listed and unlisted investments	1,887	2,212
Deposit interest	300	97
Other income	-	300
	<u>2,187</u>	<u>2,609</u>