

REGISTERED COMPANY NUMBER: 05588883 (England and Wales)
REGISTERED CHARITY NUMBER: 01114839

**The Resolution Foundation
Report of the Trustees and
Financial Statements for the Year Ended 30 September 2015**

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The Resolution Foundation

**Contents of the Financial Statements
for the Year Ended 30 September 2015**

	Page
Report of the Trustees	1 to 10
Report of the Independent Auditors	11 to 12
Statement of Financial Activities	13
Balance Sheet	14
Notes to the Financial Statements	15 to 21

The Resolution Foundation

Report of the Trustees for the Year Ended 30 September 2015

The trustees who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 30 September 2015. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

05588883 (England and Wales)

Registered Charity number

01114839

Registered office

The Resolution Foundation
2 Queen Anne's Gate
London
SW1H 9AA

Trustees

C A Cowdery	(Chairman)	
Ms C J Alexandrou		
G W Morton		
P T Stevens	(Treasurer)	
Mrs S Regan		
P Butler		- appointed 24.11.14
G Kelly		- appointed 1.11.15

Auditors

Knox Cropper
8/9 Well Court
London
EC4M 9DN

Solicitors

Bates, Wells and Braithwaite
10 Queen Street Place
London
EC4R 1BE

Bankers

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

United Trust Bank Limited
80 Haymarket
London
EC4M 6YH

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The Resolution Foundation was incorporated on 11 October 2005 as a company limited by guarantee and was registered as a charity on 24 June 2006, the Charity is governed by its Memorandum and Articles of Association.

Recruitment and appointment of new trustees

The Trustees (who are also the directors of the charitable company for the purposes of company law), are a self-appointing body with each Trustee initially appointed for a three year term. New Trustees can be nominated by any existing Trustee and are appointed according to relevant skills and experience.

The Resolution Foundation

Report of the Trustees for the Year Ended 30 September 2015

STRUCTURE, GOVERNANCE AND MANAGEMENT

Induction and training of new trustees

Trustees are given an in-depth introduction to the organisation and the role of Trustees through meeting with the Chairman and Chief Executive.

Organisational structure

Trustees attend regular meetings where progress, strategy and plans are discussed. They are also sent relevant documentation including research reports and minutes of meetings. The Trustees meet as necessary and not less than twice each year, and all key decisions affecting the Charity are made at these meetings. The Trustees appointed a Chief Executive, Gavin Kelly, who has day to day responsibility for all operational matters until 14 September 2015 when he stepped down. The Trustees appointed the Right Hon Lord David Willetts as Executive Chair and Torsten Bell as Director from 14 September 2015.

Related parties

Trustees are required to disclose all relevant interests, register them with the Chief Executive and withdraw from decisions where a conflict of interest arises. All Trustees give of their time freely and no Trustee remuneration or travel expenses were paid during the year. The Trustees who acted during the year are those listed on page 1. Related party transactions are disclosed in note 17 to these financial statements.

Risk management

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

The Trustees consider that the Charity does not currently face any major risks.

OBJECTIVES AND ACTIVITIES

Public benefit

The Trustees confirm they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission and guidance relating to public benefit and the advancement of education specifically. The Trustees ensure that all work undertaken is in line with the Foundation's charitable objects and aims.

The Resolution Foundation

Report of the Trustees for the Year Ended 30 September 2015

OBJECTIVES AND ACTIVITIES

Mission Statement

The Resolution Foundation is a non-partisan and award-winning UK think-tank that focuses on improving the living standards of working households in low-to-middle income Britain. It is a leading UK authority on securing widely-shared economic growth and has successfully ignited a major public debate about the stagnation in living standards that started in the UK in the years prior to the financial crisis. It is recognised as a home of real expertise on a range of policy issues such as low pay and the minimum wage, employment, the tax and benefit system, childcare and housing policy.

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

Our public benefit goal is to improve outcomes for people on low and modest incomes - in particular the 10 million adults in low to middle income households (LMIs), living on below median income but broadly independent of state support.

We do this by undertaking original research and economic analysis to understand the challenges facing LMIs today. We develop practical and effective policy proposals to tackle the issues we identify, and we engage with policy makers and other key stakeholders to influence decision making and bring about change.

Our Focus

We define the low to middle income group by focusing on those members of the working age population in income deciles 2-5 who receive less than one fifth of their gross household income from means tested benefits. We 'equivalise' household income prior to establishing the decile distribution, in order to account for the different living standards associated with varying household compositions. As such, couples with no children fall into deciles 2-5 if their gross household income (from all sources) is between £13,500 - £31,500 a year, while couples with two children qualify if their income is in the range of £19,000 - £44,000 a year, and those living alone need an income between £9,000 and £21,000 a year.

By these definitions, there are six million low to middle income households in the UK and 10 million low to middle income adults. They are not the poorest in society, but they are struggling to get by. Low to middle income households have become more exposed as a result of the recession and the contraction of the consumer credit and mortgage markets, alongside recent rises in the cost of living.

We believe that low to middle income households have been overlooked in debates about equality and economic opportunity. Our analysis shows how low to middle income households are squeezed in the mixed economy, too poor to thrive in private markets and yet too rich to receive substantial state support.

Our Approach

- **Rigorous:** we produce high quality analysis and draw on leading experts wherever appropriate.
- **Focused:** we concentrate our attention and resources on a small number of projects to achieve the greatest impact.
- **Practical Solutions:** our policy solutions are derived from robust research and analysis and are practical and achievable.
- **Influencing:** we engage with key stakeholders and policy makers to ensure that our policy solutions are heard and taken forward.
- **Independent:** we are independent and non-partisan in our approach we pursue policy issues on their merit and ability to improve outcomes for low to middle earners.
- **Facilitation and partnerships:** we bring together organisations to work in partnership to achieve greater collective impact and get a result.
- **Flexible:** we adapt our working style to suit the particular needs of each project. We are outcome oriented not process driven.
- **Communication:** our communication style is clear, concise and direct. We use a range of methods to convey our ideas.

Our Funding

The Foundation is primarily funded by the Resolution Trust. We are also grateful for the support of additional donations received during the year which has enabled us to pursue project specific work.

OBJECTIVES AND ACTIVITIES

ACHIEVEMENT AND PERFORMANCE

The charity's key objectives for 2014/2015 were:

- To inform the 2015 general election by acting as an authoritative voice on the condition of living standards in the UK and the extent to which the developing economic recovery is likely to be fairly shared.
- To take advantage of the start of a new parliamentary cycle to continue to broaden its scope by exploring new areas of research and developing and deepening links with relevant organisations internationally.
- To develop innovative new work that addresses the longer-term challenges and identifies strategies for shifting away from a low pay, low productivity economy.

Planned activities included:

Wages and income

- Updating our annual review of the prevalence of low pay in Britain and undertaking major new work to look at those characteristics that are positively and negatively associated with escaping low pay over the course of a decade.
- Building on our minimum wage review by considering the lessons the UK might learn from city-specific approaches to raising the wage floor in the US.
- Developing our 'all worker' index of pay to establish an alternative to the ONS's average weekly earnings measure.
- Developing a bottom-up set of income growth scenarios for the next parliament, based on differing assumptions about jobs growth, pay growth and the welfare budget.

Work and security

- Taking the lead on digging beneath the headline data on sluggish pay growth.
- Launching a major new project with our associate Professor Paul Gregg producing outputs on: the new level of full employment and the policy reforms required to secure it; polarisation; the growth of irregular work; employment dynamics within households; productivity; and wage inequality.

Welfare and tax reform

- Reviewing the tax pledges of each of the main political parties ahead of the general election, assessing the distributional benefits associated with an alternative package involving reform of National Insurance and work allowances under Universal Credit.
- Concluding our expert panel review of Universal Credit, with a final report that sets out a range of recommendations.

Debt, savings and assets

- Moving beyond our previous work on the legacy of debts built up in the pre-crisis years to consider how low to middle income households might fare in a post-credit crunch world.
- Developing a new focus on savings and pensions among the low to middle income group.

Childcare and families

- Investigating pay in the social care sector - determining the extent of underpayment of the minimum wage and the public investment required to support an increase in pay towards the Living Wage.
- Developing work looking at the future of support for families with children, including assessing the roll-out of the new tax free childcare system.

Housing

- Publishing an analysis of the coping strategies employed by those low to middle income households who appear to have been priced out of their local housing market.
- Making the post-election business case for a significant increase in housing investment.

Fiscal choices

- Developing and regularly updating analysis of the pre-election differences between the stances of the main political parties and the implications for public services. Positioning ourselves as one of the foremost fiscal experts in the UK.
- Publishing further work around the post-election emergency budget and Spending Review 2015, looking at the potential outcomes facing different government departments and associated cuts in welfare or increases in taxation.

ACHIEVEMENT AND PERFORMANCE

Shared growth

- Publishing a major pre-election collection of essays on how we can boost employment and pay growth across all parts of society.
- Developing longer-term work, drawing on international experience, which looks at the possibility of shifting the UK labour market away from its reliance on low pay.
- Working closely with Brian Nolan and his team at INET to support the new Employment, Equality and Growth programme of work.

Reflecting on our activity in 2014/15 across these same themes:

- The work that the Foundation produced in 2014/15 continued to make a substantial contribution to ensuring the issue of living standards remains firmly at the centre of public policy discussion across the political spectrum
 - o This was a key theme of the 2015 general election, with Foundation research being used to scrutinise the competing claims of the main parties on the evolution of living standards over the course of the parliament.
 - o The Foundation's work was cited by the government in relation to the introduction of the National Living Wage; with the Chancellor explicitly referring to the findings of the Bain Review. The Foundation has been at the forefront of analysing the potential impact of the proposed policy and highlighting ways in which it can be improved.
- The Foundation has continued to produce detailed economic and policy analysis on specific areas such as low pay, employment, childcare, housing and household debt, all crucial issues for low to middle income households. The research work evolved over 2014/15, with an increasing use of econometrics and the development of nowcasting techniques designed to make the Foundation's outputs more timely and relevant to the living standards debate.
- The Foundation's work has been increasingly influential outside of government, with organisations such as the Bank of England, the Office for National Statistics, the CBI and other business groups all seeking closer ties and referencing Foundation work in their own publications.

Wages and income

We updated our annual review of the prevalence of low pay in Britain and undertook major new analysis for the Social Mobility and Child Poverty Commission identifying the personal and professional characteristics that are positively and negatively associated with escaping low pay over time.

We cemented our reputation on the minimum wage, building on the review led by Sir George Bain by considering the lessons the UK might learn from city-specific approaches to raising the wage floor in the US, bringing Arindrajit Dube to London to reflect on his ground-breaking and influential research on the economic impact of higher minimum wages.

Following the government's announcement of the new National Living Wage, we published a series of reports looking at its likely impact on individuals, firms, prices, employment and productivity.

We tracked whose wages were benefitting from the recovery, providing clarity on the public debate over the extent to which employees who remain in their jobs from one year to the next were experiencing real pay rises.

We published an 'all worker' index of pay, bringing the UK's 4.5 million strong self-employed workforce into a wage measures and better capturing the reality of changes in living standards.

Work and security

We launched a major new project on the shape of the post-crisis labour market and prospects for the future. We published initial outputs from this project, on employment composition and employment polarisation:

- We conducted a decomposition analysis to determine the extent to which average pay had been dragged down by the changing mix of jobs and workers in the UK labour market. We assessed the prospects for the recent 'compositional drag' reversing in coming years.
- We published initial analysis of UK job polarisation: extending the picture to the post-crisis years, comparing to trends in the US and assessing the significance of the patterns we identified.
- We compared UK and US labour market performance over recent decades, setting out the much sharper decline in reliance on out of work benefits recorded in the UK and speculating as to why this divergence had occurred.

We continued to publish analysis of job security and the changing nature of work, including a report setting out recent self-employment trends and updated analysis of the nature and prevalence of zero-hours contracts.

ACHIEVEMENT AND PERFORMANCE

Welfare and tax reform

Ahead of the election, we produced a report assessing the distributional impact of the tax pledges of the main political parties. We compared this with our own package reforming National Insurance and work allowances in Universal Credit to show how government support might be better targeted towards low to middle income families.

Our expert panel review of Universal Credit concluded in Summer 2015. It set out both near-term recommendations (designed to best meet the aims of welfare reform within given fiscal constraints) and a more ambitious long-term vision for Universal Credit. This report was supported by a series of blogs and was referenced by the Social Security Advisory Committee when setting out their priorities for UC reform at the start of this parliament.

In the run up to the Summer Budget we published detailed explanations of the impacts that would be associated with rumoured potential cuts to the tax credit system. The cuts eventually announced were presented as part of a package, alongside the National Living Wage, designed to tackle the problem of low pay and reduce welfare reliance. While welcoming the National Living Wage, we highlighted the flaw in the government's argument - identifying the relatively small impact of the National Living Wage in offsetting losses from welfare cuts for example (foreshadowing a much more detailed critique of the planned tax credit cuts in advance of the Autumn Statement).

Debt, savings and assets

We maintained our interest in household debt via media commentary and the publication of blogs on the importance of dealing with the debt overhang during the extended 'window of opportunity' provided by ultra-low interest rates - recycling many of the recommendations made in the final report of the previous year's debt project.

We focused on the specific issues facing the self-employed, particularly in relation to pension saving. We highlighted the extent to which the self-employed have fallen behind employees in terms of pension membership since the turn of the century and made the case for greater intervention to ensure the self-employed are adequately prepared for their later years.

Childcare and families

We produced two key reports on pay in the social care sector. The first assessed the scale of underpayment of the minimum wage and the cost of paying this in full, while the second quantified the scale of government investment needed to lift pay up to the Living Wage - accounting for the fiscal gains associated with higher income tax and lower welfare payments. This influential analysis, launched at an event with key stakeholders from the sector, was updated in light of the introduction of the National Living Wage and used widely to highlight the coming squeeze on funding in the social care sector given the fiscal climate and the increased cost burden of paying the National Living Wage.

As part of our review of the Universal Credit system we considered the future role of childcare support in relation to the new scheme and the roll-out of Tax Free Childcare, highlighting the potential opportunities for rationalisation of the two schemes in the longer term. We also called for further support for families with young children given the still weak incentives to work taking account of additional support in Universal Credit.

Housing

We updated previous Resolution Foundation analysis describing the affordability of housing for low-to-middle income households across every local authority in Great Britain and within each of the four major tenure types. To add to this picture, in this edition we included new analysis assessing the coping strategies employed by those who appear to have been priced out of their local market. We considered what policy might learn from these experiences and explored the limits of such approaches.

We published new analysis of the number and characteristics of households who are 'housing pinched', which we defined as those spending more than half of disposable income on ongoing housing costs. We assessed the prospects for trends in housing pinched households in coming years.

Fiscal choices

In a year that featured an Autumn Statement (Dec 14) and two Budgets (Mar 15 and Jun 15) we provided frequent analysis and commentary on the fiscal plans set out by the government, the extent to which its plans looked realistic and the potential trade-offs involved in its approach.

The Resolution Foundation

Report of the Trustees for the Year Ended 30 September 2015

ACHIEVEMENT AND PERFORMANCE

Ahead of the election we published a series of detailed articles on the differing plans of a range of parties, and their potential implications for different government departments, tax, welfare spending and borrowing. We also presented analysis on the importance of productivity growth to fiscal forecasts.

Post-election we published analysis of the challenges and choices facing the new government and what the 2015 Spending Review could mean for different departments.

Shared growth

We launched a major pre-election collection of essays in book form by leading economists and labour market experts from the UK and US on how to ensure pay growth is shared across all parts of society.

We painted a detail portrait of living standards using an experimental 'nowcasting' technique to provide an up-to-date estimate of the employment and pay landscape in the run-up to the election. In so doing, we helped to inform the pre-election living standards debat

We collaborated closely with Brian Nolan and his team at INET to support the new Employment, Equality and Growth programme of work, holding seminars between the teams, sharing our data analysis where relevant and exploring opportunities for future joint projects.

FINANCIAL REVIEW

Financial Review and Reserves Policy

The Financial statements show incoming resources for the year of £1,221,174 with resources expended in the year of £1,306,045.

The incoming resources to the charity comprise donations from the Resolution Trust which was established by Clive Cowdery in 2007 and provides ongoing funding for the Resolution Foundation. Other incoming resources include donations from other charitable trusts and funders for project specific work, bank interest received in the year and an administration fee for work carried out on behalf of the Resolution Trust.

Additionally, the Foundation received a substantial donation in kind as it did not pay rent for office space for the first 9 months of the year. This donated service has been recognised as an incoming resource and a corresponding expenditure item in the Statement of Financial Activities.

In September 2012, the Trustees of the Resolution Trust met and agreed funding for the Foundation of £860,000 for 2012/2013, £1,000,000 for 2013/2014, £1,000,000 for 2014/2015 and £1,000,000 for 2015/2016. As a result of funding requirements during 2014/15 being lower than originally forecast, the grant for the current year from Resolution Trust was reduced to £750,000. The Trustees have received as part of their funding commitment from the Resolution Trust a commitment that the Trust will meet any costs associated with the winding up of the Resolution Foundation.

At 30 September 2015, the Charity had free reserves totalling £436,683, of which £2,572 were represented by fixed assets. In addition funds held for restricted purposes amounted to £84,881.

The Resolution Foundation

Report of the Trustees for the Year Ended 30 September 2015

FUTURE DEVELOPMENTS 2015/2016 Objectives

The charity's key objectives for 2015/16 are:

Having established a reputation for high quality research on living standards over the course of the last parliament, the Foundation has three high-level aims in the new parliament:

- To retain a clear focus on living standards via robust and primarily quantitative analysis, all with a clear purpose of improving outcomes for low to middle income households;
- To cement our relevance to public policy by broadening scope into other areas around low pay, productivity, cities, technology and inter-generational fairness; and
- Adding real-world grit by increasing the volume of policy recommendations and developing conversations with business, cities and devolved administrations.

Planned activities include:

Wages and income

Building on our 2014/15 'nowcasting' by developing income forecasting designed to provide an indication of how the economic recovery is being shared.

Continuing to analyse the potential impact of the National Living Wage ahead of its implementation in April 2016 - using both quantitative and qualitative approaches.

Launching and regularly updating a new quarterly 'earnings outlook' that provides an overview of labour market data relevant to the evolution of wage growth in the short- and medium-term.

Work and security

Completing the major project on full employment in conjunction with Professor Paul Gregg, delivering not just an analytical description of what full employment involves and where the gaps are - but also the various policy routes by which it might be achieved.

Working with Paul Gregg to establish a new stream of work - funded by Nuffield - that focuses on earnings dynamics during the downturn and the particular challenges faced by younger and lower skilled workers.

Returning to our work on automation and the role of technology in the new labour market.

Welfare and tax reform

Building on our major review of Universal Credit by revisiting the conclusions with government as it continues its roll-out of the new welfare scheme.

Setting out analysis ahead of - and in response to - the Summer Budget, Autumn Statement and March 2016 Budget.

Evaluating tax and benefit proposals that impact on low to middle income households set out by different political parties in Westminster, in devolved administrations and at the local level.

Debt, savings and assets

Establish a new focus on the efficacy of monetary policy at the zero lower bound - looking both domestically and internationally to consider how well prepared we are for the next economic downturn.

Consideration of private pension savings - including the role played by auto-enrolment and by reform to the system of pension tax relief.

Undertaking new analysis of wealth distribution, covering housing, financial assets and physical assets.

Childcare and families

Considering the particular impact of the National Living Wage on the social care sector.

The Resolution Foundation

Report of the Trustees for the Year Ended 30 September 2015

Exploring worklessness across families and looking at how this does (or doesn't) connect to child poverty.

Analysing demographic trends and the potential impact on economic growth and living standards, in order to feed into the intergenerational fairness commission.

Housing

Re-establishing the Foundation's reputation for work on housing - to include quantitative and qualitative overviews of the housing experiences of low to middle income households.

Fiscal choices

Taking a bigger picture look at the changing shape of the British state, focusing both on where government spends its money and on where it raises its money.

Working with academics in the UK and elsewhere to support major new work on the development of generational accounts, which measure the public and private transfer of resources across society over time.

Shared growth

Launching a major new intergenerational commission that begins to analyse the extent to which public policy and economic conditions favour either certain lifestyles or specific cohorts over others (and how this has changed over time).

Starting new work on living standards in different cities around the UK, focusing on variations in outcomes and the lessons that can be learned across the country. Placing a particular emphasis on how this analysis fits with the new devolution agenda.

TRUSTEES RESPONSIBILITY STATEMENT

The trustees (who are also the directors of The Resolution Foundation for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

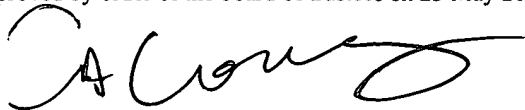
So far as the trustees are aware, there is no relevant information (as defined by Section 418 of the Companies Act 2006) of which the charitable company's auditors are unaware, and each trustee has taken all the steps that they ought to have taken as a trustee in order to make them aware of any audit information and to establish that the charitable company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The Resolution Foundation

**Report of the Trustees
for the Year Ended 30 September 2015**

Approved by order of the board of trustees on 23 May 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C A Cowdery', written in a cursive style.

C A Cowdery - Trustee

Report of the Independent Auditors to the Members of The Resolution Foundation

We have audited the financial statements of The Resolution Foundation for the year ended 30 September 2015 on pages thirteen to twenty one. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees Responsibility Statement set out on page nine, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees 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 charitable company's affairs as at 30 September 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Report of the Independent Auditors to the Members of
The Resolution Foundation**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.



Richard Billinghamurst (Senior Statutory Auditor)
for and on behalf of Knox Cropper
8/9 Well Court
London
EC4M 9DN

23 May 2016

The Resolution Foundation

**Statement of Financial Activities
(Incorporating an Income and Expenditure Account)
for the Year Ended 30 September 2015**

	Notes	Unrestricted fund £	Restricted funds £	2015 Total funds £	2014 Total funds £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	803,500	400,000	1,203,500	1,129,931
Investment income	3	1,998	-	1,998	2,647
Other incoming resources		15,676	-	15,676	3,250
Total incoming resources		821,174	400,000	1,221,174	1,135,828
RESOURCES EXPENDED					
Charitable activities					
Research and Education	4	933,561	367,071	1,300,632	952,323
Governance costs	6	5,413	-	5,413	6,544
Total resources expended		938,974	367,071	1,306,045	958,867
NET INCOME/(EXPENDITURE) FOR THE YEAR		(117,800)	32,929	(84,871)	176,961
RECONCILIATION OF FUNDS					
Total funds brought forward		554,483	51,952	606,435	429,474
TOTAL FUNDS CARRIED FORWARD		436,683	84,881	521,564	606,435

The notes form part of these financial statements

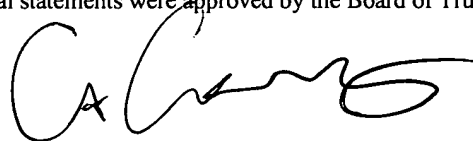
The Resolution Foundation (Registered number: 05588883)

Balance Sheet
At 30 September 2015

	Notes	2015 £	2014 £
FIXED ASSETS			
Tangible assets	10	2,572	5,147
CURRENT ASSETS			
Debtors	11	278,117	267,758
Cash at bank		325,702	359,445
		<u>603,819</u>	<u>627,203</u>
CREDITORS			
Amounts falling due within one year	12	(84,827)	(25,915)
NET CURRENT ASSETS		<u>518,992</u>	<u>601,288</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>521,564</u>	<u>606,435</u>
NET ASSETS		<u>521,564</u>	<u>606,435</u>
FUNDS	15		
Unrestricted funds		436,683	554,483
Restricted funds		84,881	51,952
TOTAL FUNDS		<u>521,564</u>	<u>606,435</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small charitable companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Trustees on 23 May 2016 and were signed on its behalf by:



C A Cowdery -Trustee

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Companies Act 2006 and the requirements of the Statement of Recommended Practice, Accounting and Reporting by Charities.

Exemption from preparing a cash flow statement

Exemption has been taken from preparing a cash flow statement on the grounds that the charitable company qualifies as a small charitable company.

Incoming resources

All incoming resources are included on the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

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

Resources expended

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

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

Tangible fixed assets

Tangible fixed assets with a cost of more than £5,000 are capitalised at cost. Depreciation is provided to write off the cost of office computers and equipment on a straight line basis over their estimated lives of 5 years.

Taxation

The charity is exempt from corporation tax on its charitable activities.

Fund accounting

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

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

Company status

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

The Resolution Foundation

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2015**

2. VOLUNTARY INCOME

	2015	2014
	£	£
Donations in Kind	52,500	70,000
Grants receivable	1,151,000	1,059,931
	<u>1,203,500</u>	<u>1,129,931</u>

Resolution Trust are committed to fund the Foundation for at least a further year having awarded a grant of £1,000,000 for 2015/2016.

The Foundation's donated premises agreement came to an end in the period and the Foundation moved to new premises in July 2015 for which they are liable for rent at market value. As such, donated rent to the value of £52,500 has been recognised as an incoming resource and a corresponding expenditure item for the year, and £23,445 as an expenditure item for rental costs from July - September 2015.

Grants received, included in the above, are as follows:

	2015	2014
	£	£
Resolution Trust	1,150,000	1,000,000
Barrow Cadbury Trust	-	15,000
Unbound Philanthropy	-	15,000
Social Mobility and Child Poverty Commission	-	29,931
Other grants	1,000	-
	<u>1,151,000</u>	<u>1,059,931</u>

3. INVESTMENT INCOME

	2015	2014
	£	£
Bank Interest	<u>1,998</u>	<u>2,647</u>

4. CHARITABLE ACTIVITIES COSTS

	Direct costs	Support costs (See note 5)	Totals
	£	£	£
Research and Education	<u>1,262,938</u>	<u>37,694</u>	<u>1,300,632</u>

5. SUPPORT COSTS

	Administration £
Research and Education	<u>37,694</u>

Support costs, included in the above, are as follows:

The Resolution Foundation

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2015**

5. SUPPORT COSTS - continued

	2015	2014
	Research and Education	Total activities
	£	£
Operating leases	3,912	3,756
IT support and supplies	14,580	13,817
Insurance	1,215	1,522
Miscellaneous supplies	896	492
Telephone	2,190	1,336
Postage and stationery	2,286	1,194
Membership	537	468
Photocopier charges	1,228	1,890
Payroll and finance support	1,496	1,045
Travel	6,329	5,403
Depreciation of tangible and heritage assets	2,575	2,573
Interest payable and similar charges	450	492
	<u>37,694</u>	<u>33,988</u>

6. GOVERNANCE COSTS

	2015	2014
	£	£
Trustees' expenses	-	1,131
Sundry expenses	13	13
Auditors' remuneration	5,400	5,400
	<u>5,413</u>	<u>6,544</u>

7. NET INCOMING/(OUTGOING) RESOURCES

Net resources are stated after charging/(crediting):

	2015	2014
	£	£
Auditors' remuneration	5,400	5,400
Depreciation - owned assets	2,575	2,573
Other operating leases	3,912	3,756
	<u>11,887</u>	<u>11,729</u>

8. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 30 September 2015 nor for the year ended 30 September 2014.

Trustees' expenses

One trustee was reimbursed travel expenses totalling £nil (2014: one trustee reimbursed £1,131).

The Resolution Foundation

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2015**

9. STAFF COSTS

	2015	2014
	£	£
Wages and salaries	634,538	600,561
Social security costs	71,345	69,249
Other pension costs	39,594	26,168
	<u>745,477</u>	<u>695,978</u>

The average monthly number of employees during the year was as follows:

	2015	2014
Average number of employees	<u>10</u>	<u>10</u>

The number of employees whose emoluments fell within the following bands was:

	2015	2014
£60,001 - £70,000	1	3
£70,001 - £80,000	-	1
£80,001 - £90,000	1	1
£100,001 - £110,000	-	1
£110,000 - £120,000	1	-
£130,000 - £140,000	1	-
	<u>4</u>	<u>6</u>

Included within wages and salaries are recruitment, training and other costs of £28,245 (2014: £15,492).

10. TANGIBLE FIXED ASSETS

	Computer equipment £
COST	
At 1 October 2014 and 30 September 2015	<u>16,047</u>
DEPRECIATION	
At 1 October 2014	10,900
Charge for year	<u>2,575</u>
At 30 September 2015	<u>13,475</u>
NET BOOK VALUE	
At 30 September 2015	<u>2,572</u>
At 30 September 2014	<u>5,147</u>

The Resolution Foundation

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2015**

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Other debtors	266,297	251,588
Prepayments and accrued income	11,820	16,170
	<u>278,117</u>	<u>267,758</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Other creditors	42,780	4,439
Accrued expenses	42,047	21,476
	<u>84,827</u>	<u>25,915</u>

13. OPERATING LEASE COMMITMENTS

At 30 September 2015, the Foundation had annual commitments under non-cancellable operating leases in respect of office equipment as follows:

	2015	2014
	£	£
Expiring:		
Within one year	-	816
Between one and five years	98,472	3,864
	<u>98,472</u>	<u>4,680</u>

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted fund	Restricted funds	2015 Total funds	2014 Total funds
	£	£	£	£
Fixed assets	2,572	-	2,572	5,147
Current assets	518,938	84,881	603,819	627,203
Current liabilities	(84,827)	-	(84,827)	(25,915)
	<u>436,683</u>	<u>84,881</u>	<u>521,564</u>	<u>606,435</u>

The Resolution Foundation

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2015**

15. MOVEMENT IN FUNDS

	At 1.10.14 £	Net movement in funds £	At 30.9.15 £
Unrestricted funds			
General fund	554,483	(117,800)	436,683
Restricted funds			
Institute of New Economic Thinking project	39,799	45,082	84,881
Social Care	12,153	(12,153)	-
	<u>51,952</u>	<u>32,929</u>	<u>84,881</u>
TOTAL FUNDS	<u><u>606,435</u></u>	<u><u>(84,871)</u></u>	<u><u>521,564</u></u>

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	821,174	(938,974)	(117,800)
Restricted funds			
Institute of New Economic Thinking project	400,000	(354,918)	45,082
Social Care	-	(12,153)	(12,153)
	<u>400,000</u>	<u>(367,071)</u>	<u>32,929</u>
TOTAL FUNDS	<u><u>1,221,174</u></u>	<u><u>(1,306,045)</u></u>	<u><u>(84,871)</u></u>

Institute of New Economic Thinking (INET) research programme

This is a new research programme at INET at the Oxford Martin School, University of Oxford, looking at the links between growth, employment, living standards and working life for low to middle income households, focusing on why the growth model in the UK and other developed economies has failed to deliver for the LMI group over the past few decades and what policy and institutional changes might lead to a better, fairer model of growth.

Social Care project

This project looks at calculating the costs and benefits of raising pay for frontline care workers. It has been funded by a grant from Unbound Philanthropy.

16. PENSION COMMITMENTS

The charitable company operates a defined contribution pension scheme through The Pensions Trust with contributions being made by both employer and employees at variable rates. The assets of the scheme are held separately from those of The Resolution Foundation. Pension costs charged represent contributions payable by the Foundation to the Trust. Total pension costs in the current year amounted to £39,594 (2014: £26,168). At the year end £nil was due to the Trust (2014: £nil).

17. RELATED PARTY DISCLOSURES

Resolution Foundation is funded primarily by Resolution Trust. Two trustees of the Foundation are also Trustees of Resolution Trust.

Resolution Trust is committed to continue funding of the Foundation for at least the next year. A grant has been awarded towards the Foundation's annual costs of £1,000,000 in 2015/2016. During the current year the Foundation received a grant of £750,000 from the Trust (2014: £1,000,000) and funding of £400,000 towards the INET research programme.

Until September 2015 when a Chief Executive was appointed, Resolution Trust had no employees of its own and relied on a member of staff seconded from the Foundation as well as use of the Foundation's resources to administer its activities. The Foundation charged an administration fee for this service which in the current year amounted to £3,100 and a fee for seconded staff of £11,790 (2014: £3,100 - administration fee only). The Chief Executive of the Trust was also appointed as a trustee of the Foundation in November 2015.

£250,000 was due from the Resolution Trust at the year end (2014: £250,000).

One of the trustees of the Foundation is the sole director of Resolution Service Management Ltd. The Foundation signed a five year lease with Resolution Service Management Ltd for new premises during the year. The decision was taken by the independent trustees after considering market value and the benefits to the Foundation given the facilities and location. In the current year the rent payable amounted to £23,445 and was wholly outstanding at the year end.