

THE HENRY SMITH CHARITY

England & Wales · Charity number 230102

Details

Other names	HENRY SMITH (ESTATES CHARITIES), HENRY SMITH (KENSINGTON ESTATES CHARITIES), THE CHARITY OF HENRY SMITH (KENSINGTON ESTATE), SMITHS CHARITY
Status	Registered
Legal form	Other
Registered	1963-10-15
Register	View on the Charity Commission register

Contact

Address	3rd Floor Caledonia House 223 Pentonville Road London
Phone	02072644970
Website	www.henrysmithcharity.org.uk

Activities

Objects: SUMMARY OBJECTS ONLY - FOR MORE DETAILS, PLEASE SEE SCHEME1) RELIEF OF POOR KINDRED OF HENRY SMITH2) HOSPITALS AND OTHER FORMS OF CARE FOR THOSE WHO ARE SICK OR IN NEED3) RELIEF OF POOR, AGED OR SICK PERSONS AND THEIR SPOUSES, WIDOWS, WIDOWERS AND DEPENDANTS4) RELIEF OF POOR, AGED OR SICK CLERGY AND THEIR SPOUSES, WIDOWS, WIDOWERS AND DEPENDANTS5) RELIEF, REHABILITATION AND TRAINING OF DISABLED PERSONS, INCLUDING DISABLED EX-SERVICEMEN AND WAR WIDOWS6) MEDICAL RESEARCH7) PROMOTION OF MORAL WELFARE OR SOCIAL SERVICE8) RELIEF AND REHABILITATION OF THOSE PERSONS WHO ARE OR WHO HAVE BEEN SLAVES OR SERFS AND THEIR DESCENDANTS WHO ARE IN NEED OR DISTRESS OR FOR PREVENTING THE SEIZURE OF PERSONS FOR SLAVERY OR SERFDOM9) MAINTENANCE OF GODLY PREACHERS OR OTHERWISE FOR THE FURTHERANCE OR PROMOTION OF KNOWLEDGE AND RELIGION10) RELIEF OF POOR, AGED OR INFIRM PERSONS WITHIN THE ESTATES OR ELSEWHERE IN ENGLAND AND WALES

Activities: The Charity is an endowed grant maker which awards grants for purposes within its objects within the UK.

Classification

- **How:** Makes Grants To Individuals, Makes Grants To Organisations
- **What:** The Advancement Of Health Or Saving Of Lives, Disability, The Prevention Or Relief Of Poverty, Accommodation/housing, Economic/community Development/employment
- **Who:** Children/young People, Elderly/old People, People With Disabilities, People Of A Particular Ethnic Or Racial Origin, Other Charities Or Voluntary Bodies, Other Defined Groups

Geography

- Northern Ireland
- Scotland
- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£16,351,000	£82,363,000	£1,300,403,000	44
2023-12-31	£14,448,000	£65,535,000	£1,258,650,000	40
2022-12-31	£11,896,000	£80,703,000	£1,221,696,000	38
2021-12-31	£11,000,000	£53,197,000	£1,386,860,000	32
2020-12-31	£12,065,000	£55,398,000	£1,202,139,000	31

Trustees

Name	Role	Appointed
Abureza Faisel Rahman		2021-03-18
Andrew Beeforth		2021-12-01
Baldeesh Nahl		2022-09-01
Ben Kernighan		2022-11-14
Christopher Mark Granger		2019-03-13
George Roberts		2021-03-18
Janet Garrill		2022-01-25
Jonathan Asquith		2019-12-10
Nicola Pollock		2024-06-12
The Lady Bella Colgrain DL		2014-11-27
William Sieghart		2023-03-12

Linked charities

- BEXHILL ESTATE (230102-1)
- WARBLETON ESTATE (230102-10)
- WORTH ESTATE (230102-11)
- ALFRISTON AND MAYFIELD ESTATES (230102-12)
- LONGNEY MANOR ESTATE (230102-13)
- THE EAST BROOKE ESTATE (230102-2)
- THE IWOOD ESTATE (230102-3)
- KEMPSING ESTATE (230102-4)
- KENSINGTON ESTATE (230102-5)
- LONGNEY FARM ESTATE (230102-6)
- LONGSTOCK ESTATE (230102-7)
- TELLESCOMBE ESTATE (230102-8)
- THURLASTON ESTATE (230102-9)

Accounts

THE HENRY SMITH CHARITY
Registered Charity 230102

**ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

Contents

Chair's Review	2
Report of the Trustees	3
Report of the Auditors	17
Financial Statements	20

Chair's Review

Henry Smith will be launching a new strategy in June 2025, and the organisation review preceding this launch has been an important and stimulating exercise. Key aspects of the new strategy include working in a smaller number of priority areas to maximise the impact of our funding and wider resources; developing a new Opportunity Fund to strengthen the sector (with a focus on management and leadership; governance; diversity; technology and volunteering) and funding policy and systems change work to ensure that we are intervening earlier addressing causes as well as symptoms.

The new strategy sets out an ambition to be a learning organisation and to work collaboratively with other foundations across the UK to be more closely connected with the communities we support. I am particularly enthused by the convening potential of Henry Smith and our networks combining government, funders and delivery partners, and our role in providing the time and space for leaders and managers to connect, and to stimulate and catalyse creative work across organisation silos. The scale of the social challenges we are tackling are too big for any institution to address alone, and funders and delivery organisations working in related areas need to come together effectively to address these challenges.

With a greater focus on impact, collaboration and networks, the new strategy represents a huge cultural shift for Henry Smith. A new brand and organisation values have been developed in recognition of this strategic approach.

In 2024 we gave £62m in grants, primarily through our Improving Lives and Strengthening Communities programmes. These two programmes, which together constitute our 2017 Main Grants strategy, awarded over £53m in grants, a record year for us. Our smaller, more historic and specialised programmes awarded grants over £6m. Our Main Grants funding included £11m of additional, one-off investment which will support our grant holders through our transition to a new strategy in 2025. Our 2025 budget is lower, due to this additional funding in 2024, but still aims to award almost £40m in grants.

We have enjoyed strong investment performance over several years, but 2024 continued a more recent trend of challenging markets and the backdrop of inflation. Our active portfolio managers struggled to meet their benchmarks, but although our total portfolio returns of 7% for 2024 were more than 5% behind benchmark, we were pleased to see returns higher than 2023 and exceeding our long-term benchmark of CPI inflation plus 4%. Over longer periods our diversified, actively managed portfolio continues to outperform its benchmarks by a significant margin. During 2024 we marketed for sale our largest rural estate, in Sutton Bridge, Lincolnshire, and successfully completed a sale in early 2025 for more than £50 million.

The closure of the last strategy coupled with the development of the new strategy and associated implementation plan has been a complex and demanding exercise. I am extremely grateful to the team for their continued hard work, skill and passion during this period of organisation change.

Finally, I was delighted to welcome Nicola Pollock onto the Henry Smith Board this year. I am pleased to be able to thank my fellow Trustees for their support and commitment, shown in their continuing generosity with time, skills and experience.

William Sieghart, Chair.

Report of the Trustees

Trustees

J Asquith	A Beeforth
B Colgrain	E Davies
V Dews (retired January 2024)	E Feisal (retired January 2024)
P Feilden (retired January 2024)	J Garrill
M Granger	P Hackwood (retired January 2024)
B Kernighan	B Nahl
F Rahman	G Roberts
W Sieghart (Chair)	N Pollock (appointed April 2024)

Registered Office

3rd Floor, Caledonia House, 223 Pentonville Road, London N1 9NG

Website

www.henrysmithcharity.org.uk

Chief Executive

A Shukla

Charity Registration

230102

Bankers: Bank of Scotland, 8 Lochside Avenue, Edinburgh, EH12 9DJ

Solicitors: SNR Denton LLP, One Fleet Place, London, EC4M 7WS
Veale Wasbrough Vizards LLP, 24 King William Street, London, EC4R 9AT

Auditor: Crowe U.K. LLP, 55 Ludgate Hill, London EC4M 7JW

Investment Custodian: Northern Trust, 50 Bank St, London, E14 5NT

Investment Advisers: Cambridge Associates, 80 Victoria Street, London, SW1E5JL

Property Advisers: JLL, 33 Cavendish Square, London, W1A 2NF
Savills UK Ltd, Stuart House, City Road, Peterborough, PE1 1QF

Report of the Trustees

Overview

Introduction

The Henry Smith Charity was established from a gift of land given during the lifetime of Henry Smith, and a bequest upon his death in 1628. Since then, the charity has honoured the spirit of Henry Smith's will, working to combat disadvantage and meet the challenges and opportunities facing people in need throughout the UK. Nearly four centuries after we were first established, The Henry Smith Charity is one of the largest grant-making charities in the UK.

The Henry Smith Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. We achieve this by providing funding to reduce social and economic disadvantage. Our grantees are at the core of our mission and work.

The charity is registered in England and Wales and governed by a Scheme of the Charity Commissioners dated 5 October 2000 which came into effect on 1 January 2001.

Trustees

The Charity is required to have between ten and twenty trustees and current trustees are listed on page 1 of this report. New trustees serve up to two terms of five years each, with provision in exceptional cases for a third term of up to five years. Trustees are appointed following a formal recruitment process, including an assessment of the Charity's needs and the mix of skills and experience on the Board. A structured induction programme is provided for all for new trustees. Board effectiveness is maintained and ensured through regular reviews of both Board and individual trustee performance, and training is provided as needed.

Decision Making

The Board is responsible for all major policy decisions and for approving strategy and objectives. It meets four times a year. The Charity's most significant grants are approved by the Board, but significant decision-making authority is also delegated to the following committees and others:

- Decisions in respect of the Charity's grant programmes are delegated to trustee committees or appointed staff, with recommendations and decisions being reported to the Board.
- The Governance and Nominations Committee is responsible for ensuring good governance of the charity.
- The Investment Committee is responsible for investment policy, asset allocation, fund selection and performance monitoring.
- The Finance and General Purposes Committee is responsible for budgeting and financial management, organisational policies, staff remuneration, audit and risk management.

Day to day operational activities are delegated to the Chief Executive and members of the senior leadership team under a formal schedule of delegations.

Report of the Trustees

The Charity's objects and activities for the public benefit

The Charity is constituted as two funds, the Main Fund and the Estates Fund.

The objects of the Main Fund of the Henry Smith Charity have been changed at various points over the years, while maintaining the spirit of Henry Smith's original bequest. The objects as currently agreed with the Charity Commission are as follows:

- For the relief of the poor kindred of Henry Smith;
- For hospitals, hospices and other forms of residential care or provision of health care for those who are sick or in need and for other institutions providing medical assistance for those in financial need;
- For the relief of poor, aged or sick persons and their spouses, widows, widowers and dependants;
- For the relief of poor, aged or sick members of the clergy and their spouses, widows, widowers and dependants;
- For the relief, rehabilitation and training of disabled persons including disabled ex-Servicemen and war widows;
- For any medical research;
- For the promotion of moral welfare or social service;
- For the relief and rehabilitation of those persons who are or have been slaves or serfs and their dependants who are in need or distress or for preventing their seizure;
- For the costs of property to be used as accommodation for poor persons; and
- For the relief and maintenance of godly preachers or otherwise for the furtherance or promotion of knowledge and religion.

The objects of the Estates Fund of the Henry Smith Charity are as follows:

- For the relief of poor, aged or infirm persons or advancing in life such persons in specified, historic parishes;
- For the benefit of hospitals or convalescent homes in the specified, historic parishes;
- For the relief of poor, aged or infirm or advancing in life such persons elsewhere in England and Wales; and
- For the benefit of hospitals or convalescent homes elsewhere in England and Wales.

The Charity's objects provide the framework within which more detailed funding priorities are set; these priorities will change from time to time as needs change and the funding landscape shifts. ***Current priorities for the Charity's grant programmes are set out on the Charity's website.***

In summary, the Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. This is achieved by funding organisations that work with people to reduce social and economic disadvantage.

Public Benefit

Trustees have considered the Charity Commission guidance on public benefit when planning future activities, setting grant-making policies and in making grants. The positive social impact anticipated from each grant is considered before a grant is awarded and monitored. This enables trustees to be confident that the Charity has, through its wide range of grantees, achieved significant public benefit for a number of vulnerable groups across the UK. A diverse range of public benefit is provided by the hundreds of charities we support each year, as they work to alleviate need and distress, and help people lead more fulfilling lives. A summary of our grant making in 2024 is set out below illustrating the work we have supported.

Report of the Trustees

Diversity, Equity and Inclusion

Diversity, Equity and Inclusion (DEI) is at the heart of our organisation and decision making. We embed DEI in our organisation culture and values, empowering different groups of individuals, including people of different races, ethnicities, religions, ages, abilities, genders, and sexual orientations. We acknowledge the strength that diversity brings to the organisation and our funding is designed to address structural inequalities, supporting initiatives that create fairer opportunities and improve outcomes for marginalised groups.

Our DEI working group is the driving force behind these efforts, ensuring that staff, trustees, and volunteers feel empowered to embed DEI principles in their work. In early 2024, our DEI working group introduced a new set of DEI definitions for the organisation. These serve as a foundation for ensuring that our DEI principles are woven into all policies, processes and guidelines, shaping how we work internally and externally. These definitions also support our grant-making activities, helping us engage more meaningfully with stakeholders at all levels. To find out more about our approach to DEI, including our definitions, please visit the Henry Smith website.

As we implement our new strategy, these DEI principles and definitions will be embedded in our grant programmes and ways of working. Transparency is key, and we are committed to sharing the lessons we learn, both positive and negative. We are committed to measuring, monitoring and publishing our progress in these areas. We collect DEI data from all Main Grant applicants using the DEI Data standard, an independent standard developed in order to better understand funding flows to groups or communities experiencing structural inequities. This enables us to better understand our applicants and grant holders and helps us make more informed decisions about our grant making strategies and approaches.

Organisational Values

In 2024, we developed a set of organisational values to reflect our new strategy approach and which reflects our commitment to diversity, equity and inclusion.

These values are:-

Catalysts for Change, using our resources to create lasting impact and drive positive change

Relationship-centred, understanding diverse perspectives through compassion and inclusion, putting good relationships at the heart of all we do

Forward thinking, looking outward, innovating and pursuing insights

Always learning, improving continually by challenging, reflecting, holding ourselves to account and sharing learning

Report of the Trustees

Grant Making Programmes

We awarded grants through the following programmes during the year.

Programme	Overview
Main Grants	Grants for organisations that work to reduce social and economic disadvantage, divided into two separate programmes, Improving Lives and Strengthening Communities. These programmes closed to new applications in 2024, while the Charity undertook a strategy review.
Strategic Grants	Grants identified proactively, supported by the evidence and learning from our responsive programmes.
Transition Grants	During the closure of our Main Grants programmes we made transition awards, both to support existing grant holders and to provide new funding to the sector through the strategy development phase.
County Grants	Grants for smaller organisations working with disadvantaged people and communities in certain English counties. This programme permanently closed in 2024.
Holiday Grants	Grants for recreational trips and holidays for groups of children aged 13 and under in the UK who are disabled or disadvantaged.
Parishes Grants	Grants for local organisations, based broadly on an allocation by the Trustees of Henry Smith's will for relief of poverty in specified parishes.
Clergy and Christian Projects	Grants for projects that support Anglican Clergy wellbeing.
Kindred Grants	Grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant, awarded on a means-tested basis.

Grants totalling £ 61.9 million were awarded as follows:

Programme	Total Funding Committed £
Main Grants	40,721,000
Strategic Grants	1,573,000
Grants in Transition	13,150,000
County Grants	370,000
Holiday Grants	330,000
Parishes Grants	1,677,000
Clergy and Christian projects	3,054,000
Kindred Grants	1,123,000
Less: Cancelled/Refunded Grants	(74,000)
Total Grant Awards	£ 61,924,000

A full list of the grants we made to organisations over the last year along with the detailed criteria for each grant programme is available on our website www.henrysmithcharity.org.uk.

Report of the Trustees

Achievements and Performance – Main Grants

£40,721,000

In June 2024, we closed our Main Grants strategy, which comprised the Improving Lives and Strengthening Communities grants programmes, after seven years. This was a carefully planned exercise to ensure that the 2024 grants budget was distributed effectively within a shorter timeframe than usual, with the marshalling of resources and streamlining of activity to ensure that decisions would be made swiftly and with high quality at a time of increased application numbers.

In 2024, we received applications and made grants as follows:

	Improving Lives	Strengthening Communities	Total
Total number of applications	1,709	377	2,086
Total number of grants	208	39	247
Success rate	12%	10%	12%

We assess the quality of applications against a wide variety of different criteria to ensure that we are achieving our charitable objectives and that we are making robust, transparent and consistent funding decisions. Almost all grants were for three years and the average total grant award was £165,000, a 4% increase on the previous year.

Improving Lives

Through the Improving Lives grant programme, we support charitable organisations across the UK to help people for whom other sources of support have failed, been inappropriate or are simply not available. This is our largest funding programme, through which we distribute most of our funds.

The Improving Lives programme has six funding priorities, which describe the work we fund and how we want to bring about change for the most disadvantaged people in greatest need. Grant holders must demonstrate how the outcomes they deliver meet one or more of these priority areas:

- **Help at a Critical Moment** - Helping people to rebuild their lives following a crisis, critical moment, trauma or abuse;
- **Positive Choices** - Helping people whose actions or behaviours have led to negative consequences for themselves and others, to make positive choices;
- **Accommodation / Housing Support** - Enabling people to work towards or maintain accommodation;
- **Employment and Training** - Supporting people to move towards or gain employment;
- **Financial Inclusion, Rights & Entitlements** - Supporting people to overcome their financial problems and ensure they can claim their rights and entitlements; and
- **Support Networks & Family** - Working with people to develop improved support networks and family relationships.

Strengthening Communities

The Strengthening Communities programme supports small grassroots organisations working in the most deprived areas of the UK. Smaller organisations rooted in their communities play a vital role in supporting people to make positive changes, and we support these organisations to create lasting solutions for both individuals and their communities.

Report of the Trustees

Cause Area Addressed	% of Grants
Black and Minority Ethnic Communities	6%
Carers	4%
Children and Young people	20%
Disability	9%
Disadvantaged Communities	27%
Domestic and Sexual Abuse	11%
Family Services	17%
Homelessness	4%
Learning Disabilities	9%
LGBTQI+	3%
Mental Health and Wellbeing	15%
Older People	4%
Prisoners and Ex-Offenders	4%
Refugees and Asylum Seekers	8%
Sex Work, Trafficking and Modern Slavery	1%
Substance Misuse and Dependency	2%
Women	8%

We are a broad, responsive grant maker, supporting people with a range of different, and sometimes intersecting needs. The table above highlights the groups of people and needs supported by applicants and grant holders; grant holders frequently support more than one group or need, so many of our grant awards will fall within more than one category as highlighted above.

Geographical Distribution

As a UK-wide responsive funder running an open grant programme, we seek to make grants across the UK. We find that much of the work meeting the greatest need is within the most deprived, mainly urban areas of the UK. We continue to review the geographical spread of our grant making to ensure that we are receiving applications from all areas of the UK and that our grant making is targeted to need; this includes work to promote the Charity in areas with relatively fewer applications.

Geographical Area	Grants	Applications
Crown Dependency	0	1
East Midlands	9	88
East of England	15	128
London	33	299
National	12	220
North East	8	78
North West	34	219
Northern Ireland	4	63
Scotland	37	269
South East	35	227
South West	19	143
Wales	6	79
West Midlands	20	129
Yorkshire and the Humber	15	143
Total	247	2,086

Report of the Trustees

Grant Reporting

Once a grant has been approved, grant holders report back to us on their progress annually for the duration of their grant. They report on the numbers of people they helped, activities delivered, beneficiary outcomes, organisational developments, external changes that have affected their work, their financial performance and outlook for the year ahead. They also provide beneficiary case studies.

Learning and Evaluation

In line with the wider voluntary sector we need to understand the impact of our work. We require those applying to us to demonstrate the outcomes they are achieving and believe we should apply the same rigour to ourselves. This is a challenge, as our grants cover a wide range of services and groups to relieve poverty, deprivation and disadvantage.

We monitor the outcomes of all grants through our progress reporting process. We examine the specific outcomes that organisations have achieved in terms of the number of people they work with and the benefit they provide. We monitor our grantmaking throughout the year but also carry out a detailed annual review to confirm our understanding of who and what we are funding. We analyse applications and grants made and use the data to inform our policy-making and future planning. This continues to be particularly important for understanding the changing environment within which our grant holders work. We also gather insight and learning from the wider sector to inform our grantmaking.

Achievements and Performance – Grants in Transition

£13,150,000

In order to ensure that the flow of our funding to the sector continued during the strategy transition period (June 2024 to June 2025), we launched a FlexFund to release an additional £11m in the second half of 2024. The fund was designed to provide greater flexibility for the organisations we fund to use the grant and enable existing grantees to benefit from continuation funding while we are closed.

In addition, we have established funding partnerships with other foundations in related areas of work during the strategy transition period. The first of these partnerships with Community Foundation Northern Ireland and Unltd were established at the end of 2024, and other funding partnerships across the UK will be implemented in the first half of 2025, including with Corra Foundation and UK Community Foundations.

We also made our first Opportunity Fund grant awards at the end of 2024, with an initial focus on diversity, management and leadership development, and support for social entrepreneurs.

Achievements and Performance – Other Programmes

County Grants

£370,000

The County Grants programme supports the work of small organisations and charities in counties with which the Henry Smith Charity has a historical connection. A decision was made in 2021 to phase out the programme, and the final awards were made in 2024.

Grants support work with people experiencing social and/or economic disadvantage and work to address problems in areas of high deprivation. Grants range from £2,000 to £20,000.

In 2024, 49 grants were awarded and were used for organisation running costs, salaries, project costs, or one-off small capital expenditure.

Report of the Trustees

Holiday Grants

£330,000

The Holiday Grants programme provides one-off grants for short holidays and recreational trips for groups of children aged 13 and under who are disabled or disadvantaged. During the year we made 150 grants. Grants ranged between £500 and £2,750 and were made to schools, youth groups, not for profit organisations and charities.

Clergy and Christian Projects

£3,054,000

The Clergy and Christian Projects grants programme focusses on Anglican Clergy Wellbeing, and has two elements: grants to support individual clergy, and grants to organisations for projects that provide a means for Anglican Clergy to be supported or take preventative measures to ensure they remain healthy and effective in their ministry.

During the year grants were awarded as follows:

Programme	Grant Amount
Grants to support individual clergy, managed through Church of England dioceses	£758,000
Grants to Christian Projects to support Anglican Clergy Wellbeing	£2,296,000

Kindred

£1,123,000

In line with Henry Smith's will, which included a legacy to help members of his family in financial need, we award grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Our Kindred grant making goes directly to address financial need among the descendants of Henry Smith and grants are awarded on a means-tested basis. Over 220 people received financial support in 2024.

In addition to our standard grants, we have provided:

- Support with welfare benefit, debt advice and casework via our partnership with Pennysmart CIC
- Winter warmth packages to reduce energy costs which include energy saving measures to heat the home and the person
- A free and confidential helpline for support with counselling and access to information specialists on a range of topics such as employment law, bereavement and menopause.

Parishes

£1,677,000

The parish scheme is a separate fund within the endowment, representing just over 2% of our assets. Under the scheme we distribute annual grants of between £2,000 and £20,000 to over 150 entities, based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in particular parishes.

These entities use the money for the relief of poverty within their designated parishes, and report annually how the money was used. We also offer the opportunity for parishes to apply for supplementary grants to meet additional needs in their area.

The entities include local ecclesiastical parishes, specially established local Henry Smith Charities and larger grant making organisations. In 2024 we made approximately 200 grants intended to support 15,000 beneficiaries.

Report of the Trustees

Plans for Future Development

Henry Smith will implement its new strategy from June 2025, including an organisation rebrand and new website. The first grants programmes under this new strategy will be launched at that time. Additional future priorities include development of partnerships with funders and government on shared priorities and understanding how AI can improve our effectiveness and efficiency.

We continue to develop and embed a shared understanding of DEI across the organisation, led by our Chief Executive and Senior People and Culture Manager, and are working to embed our organisational values. This work is closely aligned with our strategy implementation.

Finally, we continue to build our communications resources and activities, and are changing our Charity brand in the context of our new strategy.

Financial Review

Investments

The Henry Smith Charity is a permanent endowment, with assets held in perpetuity. These assets are the primary funding source for the Charity, so the performance of investments over the long term is vitally important to the sustainability of the Charity, and the impact it can make through the grants it awards.

The Charity operates a Total Return approach to investment, with power to spend both income and capital, provided the core endowment of the fund is maintained. The Charity has power under its Scheme to invest in stocks, shares, funds, securities and other property. The Trustees have appointed professional investment advisors, who advise on investment policy and strategy, asset allocation, manager selection and performance.

Investment Policy

The investment portfolio has the primary long-term objective of maximising sustainable spending from the portfolio in order to support grant-making. The secondary long-term objective is to maintain the real value of the fund in perpetuity after spending. The Charity currently aims to spend 4% per annum of the portfolio in grant-making over the long-term and the portfolio has a goal of returning an annual 4% real return over a rolling 5 year period.

It is recognised that in order to achieve the primary objective of sustaining a 4% spending rate over the long term, there will be periods of short-term volatility of investment returns. The investment strategy seeks to build a diversified portfolio that minimises the impact of short-term fluctuations. Given the portfolio's strategic asset allocation and investment strategy it is understood that potential short-term losses are possible.

The Charity also recognises that there are several other forms of risk beyond short term volatility that need to be managed as part of the ongoing oversight of the portfolio. These risks include the prudent management of liquidity, the level of exposure to non-Sterling denominated assets, the level of overall leverage in the portfolio and risks associated with investing alongside investors with different goals.

ESG and Carbon

The Charity adopted the following policy in relation to Environmental, Social and Governance (ESG) issues, and has communicated the policy to all fund managers with whom it invests.

Report of the Trustees

- We take ESG factors into account when we select new managers and when assessing existing managers.
- We also review our direct equity investments held via index-tracking funds to assess which companies we may wish to exclude/engage with.
- We apply a materiality lens to the observations and judgements that we make.

The Trustees have excluded from our directly held investment portfolio companies who have significant involvement (greater than 10% of turnover) in the production or retailing of alcohol or tobacco, gambling or predatory lending. Companies with any involvement in the production or sale of indiscriminate weaponry are also excluded.

All our public equity managers have implemented ESG policies, which are integrated into their investment approach and lead to engagement with portfolio companies regarding ESG issues. Almost all our hedge fund managers have ESG policies in place. The public equity portfolio exposure to fossil fuel producers is less than 50% of the exposure of the benchmark indices, and the weighted average carbon intensity for all the companies held in the public equity portfolios is 60% of the carbon intensity of the benchmark indices. We continue to review our portfolio exposures and consider our approach to carbon on a regular basis.

During the year we agreed to move our directly held equity investment portfolio to a new custom ESG benchmark, managed by Northern Trust. This will be implemented in 2025. We are also exploring the potential to invest some of our property assets into social and/or community housing, to achieve market returns while providing greater social impact.

Asset Allocation and Strategy

Approximately 60% of the investment portfolio was allocated to growth assets during the year, to provide longer term returns, with the remaining allocation invested in diversifying assets. Further details are given in note 9 to the accounts.

Total Return Approach to Investing

The Charity operates a Total Return approach to investments, with freedom to invest the entire endowment with the aim of maximising total returns regardless of whether those returns accrue by way of income or capital growth. Over the long term the investment portfolio has a target annualised return of CPI +4%; over shorter periods we assess performance against a blended benchmark comprising benchmarks for the individual asset classes in which we invest.

Investment Returns for 2024

Total investment returns (investment income net of fees plus capital gains), totalled just under £98m for the year. Total returns for the portfolio (including the currency hedge) in 2024 were 8.2% (2023: 5.6%), just under 6% behind the portfolio benchmark. The property portfolio, representing 14% of the total portfolio, returned 6.7% net of fees over the year.

Over the last 5 years the equity portfolio has outperformed the portfolio benchmark by 1.0% per annum but has slightly lagged behind its long-term return target of CPI + 4% by -0.5% per annum. Performance was largely affected by periods of high inflation and the equity benchmark performance being driven by a very narrow range of stocks.

Report of the Trustees

Investment Costs

The Charity aims to maintain transparency over the total fees paid on investments and regularly reviews manager fees to ensure they are matched by performance. All investment performance is reported net of fees to enable us to monitor this closely and take corrective action where necessary. We spent £17.1m (2023: £15.8m) on our investment fees and costs. Over time we have obtained excellent returns with lower volatility, which have more than compensated for the fee costs.

Issuance of Long-Term Loan Notes

In early 2022 the Charity issued £100m in 50-year loan notes, with a fixed interest rate of 2.75% and full repayment of capital due in 2072.

Detailed analysis from the Charity's investment advisor shows that investment of the £100m proceeds across the investment portfolio for the full 50 years will enable the Charity both to increase its annual distributions and see an increased portfolio value in 50 years' time. The trustees are satisfied that the risks are demonstrably very low, and the expected benefit, while taking the long-term to fully accrue, will prove to be material.

"Core Endowment" (endowment funds)

Under the Total Return approach, the Charity must ensure that the value of total endowment funds does not fall below the Core Endowment. The Core Endowment is fixed at £276m, representing the value of the endowment as at 31 December 1991. Endowment funds in excess of the Core Endowment are known as the Unapplied Total Return; these are the accumulated returns from which the Charity may make funds available for grant-making. The Trustees also monitor the value of endowment funds compared to an inflation-adjusted measure of the Core Endowment, recognising the need to maintain the Charity's spending power in real terms.

The Charity's current policy is to transfer each year from the endowment funds, into the Main Unrestricted and Estates Restricted funds, 4.0% of the total value of the endowment as averaged over the previous 5 years (referred to as the "Distribution Rate"); these funds are then available for grant making and operations.

These transfers are funded over time by the total investment returns achieved by the Charity's endowment. The Trustees review the Distribution Rate from time to time and adjust as necessary to take account of prevailing rates of investment return.

In addition, the Trustees agreed in 2021 to distribute an additional up to £100m over ten years, in light of strong historic investment performance. With advice from Cambridge Associates this additional amount has been assessed as affordable while preserving the long-term funding capacity of the Endowment. A total of approximately £50m has already been committed from this to support the grants programmes over the last four years.

The movements in Unapplied Total Return for 2024 are shown in note 7 to the accounts. The Charity transferred £47.2m into the Main Unrestricted and Estates Restricted funds for its annual distribution, calculated at a 4.0% Distribution Rate, and an additional £18.0m to accommodate agreed additional grant spending. For 2025 the Trustees have agreed a transfer of £49.1m calculated at a 4.0% Distribution Rate. At 31 December 2024, the endowment funds of £1.3bn were well in excess of the Core Endowment.

Reserves (grant-making funds)

The Main Unrestricted fund balance was nil throughout the year, with the Charity withdrawing funds from the Endowment as required for grant-making. The Estates Restricted fund is used solely for grants under the Parish programme, with reserves of £0.5m at the year-end.

Report of the Trustees

Risk Management

The Trustees formally review risk on an annual basis as well as when issues arise, and during the year adopted a new risk management framework to enable more effective risk management.

The Trustees also meet the auditors during the year to discuss recommendations arising from their annual audit, which inform our approach.

One of the key risks identified is that of substantial investment losses, which would reduce the amount of funding available over the longer-term and hence the Charity's impact; to address this the Charity has a diversified investment portfolio and actively manages a range of risks, including performance, liquidity, currency and other risks, which should minimise the potential for long term losses. The investment portfolio continues to be resilient, and saw positive returns in 2025.

The Charity actively monitors a range of current risks, including the ongoing impact of the cost-of-living crisis, and wider economic and political events. Risks include business continuity in the event of disaster or other business interruption, and a policy and action plan are in place to manage this risk.

Maximising impact through its grant-making is one of the Charity's over-arching goals, and failure to achieve this is a key risk. The Charity will be launching a new strategy in 2025, aimed at ensuring that its grant-making approach is designed to maximise impact.

Safeguarding is a key risk area, and a safeguarding policy and training plan are in place.

Data Protection and the GDPR legislation remain important priorities. Key areas have been addressed, and work is ongoing to ensure compliance as the Charity's activities develop over time.

The Charity continues to monitor staff wellbeing, aiming to provide a supportive and safe working environment, along with specific support and tools where this can benefit individuals.

The Trustees have reviewed areas of potential risk for the Charity and concluded that there are sufficient controls in place across the organisation to ensure it meets its responsibilities.

Preparation of the Accounts on a Going Concern Basis

The Charity's normal practice is to distribute no more than 4% of assets annually calculated on a five-year rolling basis. On occasion, the Charity may make additional distributions, in which case an assessment of affordability and long-term sustainability is carried out, with advice from its investment advisor.

Total assets at 31 December 2024 were well in excess of the £276 million "core endowment" which must be preserved. The Trustees continue to consider the Charity to be a going concern and to prepare the accounts on this basis.

Remuneration of Key Management Personnel and Staffing

The Trustees consider the Board of the Charity and the Senior Leadership Team as comprising the key management personnel of the charity, in charge of directing and controlling the charity and running and operating the charity on a day-to-day basis.

No Trustees are remunerated by the Charity. Remuneration for the Senior Leadership Team is reviewed annually, with salary increases determined in light of inflation rates and affordability. Salary increases and remuneration levels are also reviewed against other grant-making charities of a similar size and activity, to ensure remuneration is fair and not out of line with that generally paid for similar roles.

Report of the Trustees

Conflicts of Interest

From time to time the Charity makes grants to organisations with whom one or more of its Trustees is connected, typically as a Trustee or member of staff. The Charity takes steps to ensure that decisions on these grants are made at arms-length, and in accordance with its policies for dealing with potential conflicts of interest.

Fundraising

The Charity has no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report 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 and Wales 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 Charity and of the incoming resources and application of resources of the Charity for that period.

In preparing these financial statements, the Trustees are 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are 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.

Disclosure of information to auditors

So far as each of the Trustees at the date of this report is aware:

- There is no relevant audit information of which the Charity's auditor are unaware.
- Each trustee has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved by the Trustees on 11 June 2025



William Sieghart
Chair

Independent Auditor's Report to the Trustees of The Henry Smith Charity

Opinion

We have audited the financial statements of The Henry Smith Charity ('the Charity') for the year ended 31 December 2024 which comprise the Statement of Financial Activities, Charity Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2024 and of the Charity's income and receipt of endowments and expenditure, 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.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Trustees of The Henry Smith Charity

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustee's report; or
- sufficient and proper accounting records have not been kept by the parent charity; 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.

Responsibilities of the trustees

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

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

Independent Auditor's Report to the Trustees of The Henry Smith Charity

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Charity for fraud.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance and General Purposes Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the Charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor

London

20 August 2025

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Statement of Financial Activities for the Year Ended 31 December 2024

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2024 Total £'000	2023 Total £'000
INCOME						
Investment income (note 3)	-	1,133	-	15,064	16,197	14,446
Other income	143	-	-	11	154	2
Transfer to income (note 7)	63,557	-	1,062	(64,619)	-	-
TOTAL INCOME	63,700	1,133	1,062	(49,544)	16,351	14,448
EXPENDITURE (note 4)						
Expenditure on raising funds (investment costs)	-	2,750	-	14,311	17,061	15,761
Charitable activities						
Grant-making	63,700	-	1,602	-	65,302	49,774
TOTAL EXPENDITURE	63,700	2,750	1,602	14,311	82,363	65,535
Gains on investment and currency assets (note 9)	-	7,539	-	100,226	107,765	88,041
NET MOVEMENT IN FUNDS	-	5,922	(540)	36,371	41,753	36,954
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2024	-	1,027	1,038	1,256,585	1,258,650	1,221,696
TOTAL FUNDS AT 31 DECEMBER 2024	-	6,949	498	1,292,956	1,300,403	1,258,650

All income and expenditure derive from continuing activities. The statement of financial activities includes all gains and losses recognised during the year and there is no difference between the results for the year stated above and their historical cost equivalents.

The notes on pages 18 to 29 form part of these accounts.

Balance Sheet as at 31 December 2024

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2024 Total £'000	2023 Total £'000
FIXED ASSETS						
Tangible Fixed Assets (note 8)	15	-	-	-	15	42
Investments (note 9)	69,154	106,949	-	1,293,718	1,469,821	1,417,942
Total Fixed Assets	69,169	106,949	-	1,293,718	1,469,836	1,417,984
CURRENT ASSETS						
Debtors (note 10)	357	-	-	341	698	838
Cash at bank	7,052	-	1,250	-	8,302	13,952
	7,409	-	1,250	341	9,000	14,790
CREDITORS						
Amounts falling due within one year (note 11)	(51,556)	-	(752)	(1,103)	(53,411)	(47,843)
NET CURRENT (LIABILITIES)/ASSETS	(44,147)	-	498	(762)	(44,411)	(33,053)
TOTAL ASSETS LESS CURRENT LIABILITIES	25,022	106,949	498	1,292,956	1,425,425	1,384,931
CREDITORS						
Amounts falling due after one year (note 12)	(25,022)	(100,000)	-	-	(125,022)	(126,281)
NET ASSETS	-	6,949	498	1,292,956	1,300,403	1,258,650
FUNDS						
Main Endowment Fund	-	-	-	1,262,959	1,262,959	1,229,905
Estates Endowment Fund	-	-	-	29,997	29,997	26,680
Loan Notes Designated Fund	-	6,949	-	-	6,949	1,027
Estates Restricted Fund	-	-	498	-	498	1,038
TOTAL FUNDS AT 31 DECEMBER 2024	-	6,949	498	1,292,956	1,300,403	1,258,650

Approved by the Trustees on 11 June 2025 and signed on their behalf by:

William Sieghart

William Sieghart
Chairman

Ben Kernighan

Ben Kernighan
Trustee

The notes on pages 18 to 29 form part of these accounts.

Cashflow Statement for the Year Ended 31 December 2024

	2024 £'000	2023 £'000
Net cash used in operating activities (note 16)	(60,829)	(53,629)
Cash flows from investing activities		
Investment Income received	16,204	14,777
Payments for Investment Management and advice	(4,294)	(9,989)
Interest paid on Long-Term Bond	(2,750)	(2,750)
Purchase of tangible fixed assets	(3)	(4)
Cash withdrawn from investments to fund operating costs	46,022	51,063
Net cash provided by investing activities	55,179	53,097
Change in cash and cash equivalents in the year	(5,650)	(532)
Cash and cash equivalents at 1 January 2024	13,952	14,484
Cash and cash equivalents at 31 December 2024	8,302	13,952

Reconciliation of net debt

	Cash at bank £'000	Long-Term Bond £'000	Total Net Debt £'000
Balance at 1 January 2024	13,952	(100,000)	(86,048)
Cashflows	(5,650)	-	(5,650)
Balance at 31 December 2024	8,302	(100,000)	(91,698)

The notes on pages 18 to 29 form part of these accounts.

Notes to the Accounts

1. CHARITY INFORMATION

The Charity (registered no. 230102) is a public benefit entity established in the UK as a Trust governed by a Scheme of the Charity Commissioners dated 5 October 2000. It operates from its principal place of business, 65 Leadenhall Street, London EC3A 2AD.

2. ACCOUNTING POLICIES

Basis of Preparation

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain fixed asset investments, and in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Charities Act 2011.

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 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).

Trustees have considered the impact of the external environment on the Charity's activities and resources. The impacts on investment performance and grant making activities have been reviewed and included in our risk management framework. These factors have been considered alongside relevant forecasts and budgets and trustees are not aware of any material uncertainties surrounding the Charity's ability to continue as a going concern.

Funds

The Charity's Funds include two permanent endowments. The Main Endowment Fund may be used to support all of the Charity's objects. The Estates Endowment Fund may only be used to support charitable activities in specified, historic parishes in England. The Loan Notes Designated Fund represents the current valuation of £100m raised through issuing loan notes in 2022 and invested in the Charity's investment portfolio, less the £100m creditor balance repayable in 2072. The assets of these three funds are pooled and managed as a single investment portfolio; investment returns are allocated in proportion to the Funds' asset values. The Estates Restricted Fund reflects funds made available from the Estates Endowment Fund for grant-making which are not yet spent.

During the year the Charity completed the management of legacy activities related to the Equitable Charitable Trust. Remaining funds of £170k, which had been held within endowment funds to cover potential costs of management, were made available for grant-making during the year and used to fund grants in line with the objects of the Equitable Charitable Trust.

Income

Dividends are recognised as receivable when a security is listed as ex-dividend. Income from fixed interest investments is recognised when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank or investment fund. Other investment income is recognised when notified as payable to the Charity by the relevant fund managers.

Expenditure

Liabilities are recognised as expenditure when there is a legal or constructive obligation committing the Charity to the expenditure. Grants, both single and multi-year, are recognised in the accounts as liabilities after they have been approved by the Trustees, the recipients have been notified and there are no further terms and conditions to be fulfilled within the control of the Charity. In these circumstances there is a valid expectation by the recipients that they will receive the grant. Future grant liabilities are measured at their amortised cost, using a discount rate agreed by the Trustees and equal to the interest rate received on the charity's savings at year-end. Movements in amortised cost are recognised in the accounts as expenditure, and are shown in note 4.

Notes to the Accounts

Expenditure on raising funds

Expenditure on raising funds includes the direct costs of fund management activities, the direct costs of activities including staff salaries and other expenditure, and an allocation of related support costs. Support costs are allocated according to an estimate of the proportional usage across different activities supported, generally on a staff time basis.

Charitable activities

The cost of charitable activities consists of grants awarded, the direct costs of grant making activities including staff salaries and other expenditure, and an allocation of related support costs.

Investments

Marketable investment assets are included in the financial statements at their fair values, either at closing market prices (listed investments) or through independent valuation (unlisted direct property) or from valuations provided by the investment manager (unlisted fixed income investments, hedge funds, private equity and indirect property). Cash held for investment purposes is included within investments. The Charity enters into forward currency contracts to reduce currency exposure in its investment portfolio. The basis of fair value of these forward exchange contracts is estimated by using the gain or loss that would arise from closing the contract at the balance sheet date. All investment and currency gains and losses are recognised as incurred.

Pensions

The Charity operates a defined contribution scheme. Contributions payable to the scheme are included as expenditure in the period in which the Charity receives the related services from the employees.

Irrecoverable VAT

Irrecoverable VAT is included in the Statement of Financial Activities or Fixed Assets within the expenditure to which it relates.

Fixed assets

Leasehold improvements are included at cost and depreciated on a straight-line basis over the remaining term of occupation of the Charity's premises. Fixtures, fittings and equipment are included at cost and depreciated on a straight-line basis over 3 years. The cost of assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Operating leases

Rental costs of operating leases where the Charity is a lessee are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rental income from operating leases where the Charity is a lessor is recognised on a straight-line basis over the term of the relevant lease.

Key judgements and assumptions

In the application of the charity's accounting policies, Trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

Notes to the Accounts

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods. The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

Valuation of investment properties – these are stated at their estimated fair value based on professional valuations as disclosed in note 9. Commercial Property valuations are prepared by applying an investment yield to the appropriate rental income stream, having regard to the individual asset fundamentals, including inter alia, location, lease length and tenant covenant strength. The relevant investment yield and rental values are determined principally through the use of comparative data.

Valuations for Rural Estates properties let on Assured Shorthold, Farm Business or protected residential tenancies are calculated by applying a discount to the vacant possession value to reflect the degree to which vacant possession is not immediately available. Valuations for properties let under the Agricultural Holdings Act 1986 are prepared by making an assessment of the estimated rental value of the properties, as compared to the current rent passing, and applying to the estimated rental value a valuation yield to reflect the individual characteristics of the property.

Valuation of private equity investments – these are stated at their estimated fair value based on valuations carried out by the fund managers.

Financial instruments

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Financial assets held at amortised cost comprise cash at bank, together with trade and other debtors. Financial liabilities held at amortised cost comprise trade and other creditors.

Investments held as part of an investment portfolio are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure.

3. INVESTMENT INCOME

	2024 £'000	2023 £'000
Equities	3,370	3,470
Fixed Income	6,301	4,657
Property	6,526	6,319
	16,197	14,446

Notes to the Accounts

4. EXPENDITURE

	Expenditure on Raising Funds £'000	Grant- making £'000	Governance £'000	Total 2024 £'000	Total 2023 £'000
Grants awarded (note 5)	-	61,924	-	61,924	46,446
Direct costs					
Direct property costs	2,120	-	-	2,120	2,032
Investment management, administration and advice	14,705	-	-	14,705	13,543
Staff costs (note 6)	118	1,341	167	1,626	1,516
Auditors' remuneration*	-	-	54	54	51
Other costs	-	200	160	360	308
Effect of discounting grant liability	-	(726)	-	(726)	-
	<u>16,943</u>	<u>815</u>	<u>381</u>	<u>18,139</u>	<u>63,896</u>
Support costs					
Staff costs (note 6)	33	1,045	14	1,092	836
Premises and office services	85	1,087	36	1,208	803
	<u>118</u>	<u>2,132</u>	<u>50</u>	<u>2,300</u>	<u>1,639</u>
Total expenditure	<u>17,061</u>	<u>64,871</u>	<u>431</u>	<u>82,363</u>	<u>65,535</u>

* - in the current and previous year the auditors' remuneration was solely for audit services.

5. GRANTS AWARDED

	2024 £'000	2023 £'000
Grants to organisations	60,167	45,053
Grants to individuals	1,831	1,958
Grants returned or cancelled	(74)	(565)
Total Grants Awarded	<u>61,924</u>	<u>46,446</u>

Further analysis of our main grant awards is given in the Trustees' Report and a full listing of grants awarded to organisations is available on our website (www.henrysmithcharity.org.uk). This information has not been audited.

6. STAFF COSTS

	2024 £'000	2023 £'000
Wages and salaries costs	2,132	1,844
Social security costs	233	210
Pension costs	239	200
Other benefits	114	97
	<u>2,718</u>	<u>2,351</u>

Notes to the Accounts

The average number of employees

Generating Funds	2	1
Grant-making	41	39
Governance	1	1
Total	44	40

The number of employees with emoluments greater than £60,000

£140,000-£150,000	1	-
£130,000-£140,000	-	1
£120,000-£130,000	1	-
£100,000-£110,000	1	1
£70,000-£80,000	2	3
£60,000-£70,000	3	4

No pension contributions were outstanding at the year end.

Termination payments totalling £96,438 were made to three members of staff during the year (2023: £29,394 for one member of staff) and this is included within wages and salaries costs.

Total remuneration for key management personnel for the year amounted to £644,000 (2023: £549,000). Expenses reimbursed to key management personnel for the year amounted to £5,632 (2023: £4,570).

7. MOVEMENT IN UNAPPLIED TOTAL RETURN

The overall movement in unapplied total return in the year was as follows:

	2024 £'000	2023 £'000
Unapplied total return at 1 January	980,585	948,070
Add: Income received	15,075	13,437
Less: Expenditure on raising funds	(14,311)	(13,011)
Add : Investment gains	100,226	82,095
Unapplied total return before transfer to income	1,081,575	1,030,591
Less: transfer to income	(64,619)	(50,006)
Unapplied total return at 31 December	1,016,956	980,585
Add: core endowment	276,000	276,000
Endowment assets at 31 December	1,292,956	1,256,585

The Charity is permitted to adopt a total return approach to its investments by Order of the Charity Commissioners for England and Wales dated 20th December 2006.

Notes to the Accounts

8. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost at 1 January 2024	204	224	428
Additions	6	-	6
Disposals	-	(9)	(9)
Cost at 31 December 2024	<u>210</u>	<u>215</u>	<u>425</u>
Accumulated depreciation at 1 January 2024	172	214	386
Depreciation charged in the year	23	1	24
Accumulated depreciation at 31 December 2024	<u>195</u>	<u>215</u>	<u>410</u>
Net Book Value at 31 December 2024	<u>15</u>	<u>-</u>	<u>15</u>
Net Book Value at 31 December 2023	<u>32</u>	<u>10</u>	<u>42</u>

9. INVESTMENTS

	2024 £'000	2023 £'000
Listed Investments	391,288	397,830
Unlisted Investments	801,746	742,490
Investment Properties	208,154	199,201
Cash and other balances	68,633	78,421
Total Investments	<u>1,469,821</u>	<u>1,417,942</u>

The movement in market value of investments (excluding cash and other balances) was as follows:

	2024 £'000	2023 £'000
<i>Listed Investments</i>		
Market Value at 1 January 2024	397,830	336,401
Investment gains net of fees	2,485	27,527
Additions	21,793	41,496
Disposals	(30,820)	(7,594)
Market Value at 31 December 2024	<u>391,288</u>	<u>397,830</u>

Notes to the Accounts

Unlisted Investments

Market Value at 1 January 2024	742,490	778,118
Investment gains net of fees	86,464	48,489
Additions	23,259	20,155
Disposals	(50,467)	(104,272)

Market Value at 31 December 2024	801,746	742,490
---	----------------	----------------

Investment Properties

Market Value at 1 January 2024	199,201	206,951
Investment gains net of fees	8,953	9,009
Disposals	-	(16,759)

Market Value at 31 December 2024	208,154	199,201
---	----------------	----------------

Total gains were made up as follows:	2024	2023
	£'000	£'000

Gains on investment assets	97,902	85,024
Other currency gains	9,863	3,017

Investment and currency gains	107,765	88,041
--------------------------------------	----------------	---------------

The market value of listed investments at the year-end was £391m (2023: £303m). None of these were UK-only investments (2023: Nil).

At 31 December 2024 the Charity had nine foreign exchange forward contracts open in eight currencies, with a notional sterling liability of £11.9m (2023: £2.3m). These contracts were entered into to mitigate the currency risk of being a UK based charity while holding global equity and hedge fund assets in local currencies. These foreign exchange forward contracts have all been revalued at the applicable year-end rates and the resulting unrealised gains are included within the overall value of the investments above. The settlement date for the contracts ranged from 31 January 2025 to 30 June 2025.

The Charity's direct holdings in property were valued at 31 December by currently Registered RICS Valuers employed by the Charity's property advisers, and in accordance with the RICS Valuation – Professional Standards (January 2014) published by the Royal Institution of Chartered Surveyors.

The Charity sold Sutton Bridge, one of its agriculture investment properties, in February 2025, valued at £50.3m at year-end.

The Charity has committed to fund up to a further £73.6m (2023: £89m) of capital calls from private equity funds. These calls will be funded from the sale of liquid assets across the investment portfolio, and from distributions from private equity funds.

Notes to the Accounts

10. DEBTORS

	2024 £'000	2023 £'000
Rents receivable	341	195
Other debtors	86	-
Prepayments	271	643
	698	838

11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2024 £'000	2023 £'000
Grants payable	52,003	46,654
Accruals	864	860
Rental income in advance	544	329
	53,411	47,843

Movements in rental income in advance were as follows:

Balance brought forward at 1 January 2024	329
Released to income in the year	(329)
Deferred in the year	544
Balance carried forward at 31 December 2024	544

12. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2024 £'000	2023 £'000
Grants payable	25,602	26,281
Effect of discounting grant liability	(726)	-
Accruals and provisions	146	-
Fixed-term bond issuance	100,000	100,000
	125,022	126,281

The Charity received £100m from a bond issued on 10 March 2022 to Metropolitan Life Insurance Company and Metlife Insurance K.K. The Charity pays annual interest of 2.75% and the balance is repayable in full in 2072.

Notes to the Accounts

13. MATURITY OF FINANCIAL LIABILITIES

	2024 £'000	2023 £'000
In one year or less, or on demand	53,411	47,843
In more than one year, but not more than two years	20,107	20,824
In more than two years, but not more than five years	4,915	5,457
In more than five years	100,000	100,000
	178,433	174,124

The movement in grants payable during the year was as follows:

	2024 £'000	2023 £'000
Grants payable at 1 January 2024	72,935	75,944
Grants awarded	61,998	47,012
Cancelled grants	(74)	(565)
Payments made	(57,254)	(49,456)
Market Value at 31 December 2024	77,605	72,935

14. RELATED PARTY TRANSACTIONS

Expenses of £4,838 (2023: £5,843) were reimbursed to six Trustees during the year to cover travel and other related costs incurred by them in fulfilment of their duties. The Trustees received no remuneration during the year or in the previous year.

There were a total of £244,204 (2023: £97,300) grants awarded during the year to organisations of which the Trustees of the Henry Smith Charity were involved.

A grant of £210,000 was awarded during the year to Dads Unlimited for whom Bella Colgrain (Trustee) is a patron, and a grant of £34,204 was awarded to the Diocese of Leeds for whom Mark Granger (Trustee) is also connected. Ben Kernighan (Trustee) is CEO of Galop of which £89,850 of grants awarded in 2023 is still payable at year-end.

The charity made use of the services of Carter Jonas of which Mark Granger (Trustee) was Chief Executive, advising on vacating the existing offices at 65 Leadenhall Street London EC3A 2AD, totalling £8,914 for the year. Cushman & Wakefield of which George Roberts (Trustee) is Chief Executive has assisted the charity with the new office at 223 Pentonville Road, London, N1 9NG, totalling £26,898 for 2024.

15. OPERATING LEASE COMMITMENTS

At year-end the Charity held a lease for its premises expiring in May 2027. Rental payments amounted to £161,222 in 2024 and are contracted to be 265,832 per annum until the end of the lease term.

At year-end the Charity held rental leases on its investment properties under which payments are receivable until lease expiry or term of notice as follows:

Notes to the Accounts

Year	Payments receivable in year	
	2024 £'000	2023 £'000
2024	-	1,799
2025	75	162
2026	707	-
2027	536	36,955
2028 and subsequently	33,969	-

The total payments receivable under rental leases at 31 December 2024, until expiry or term of notice for all leases, was £35.3 (2023: £39.7) million.

16. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2024 £'000	2023 £'000
Net movement in funds	41,753	36,954
Investment losses/(gains)	(108,111)	(85,861)
Investment income and deposit interest	(16,351)	(14,447)
Investment management and advice	17,061	15,761
Depreciation	24	41
Decrease/(Increase) in debtors	140	(48)
(Decrease)/Increase in creditors	4,308	(3,849)
Currency gains/(losses)	347	(2,180)
Net cash flow from operating activities	(60,829)	(53,629)

Notes to the Accounts

18. STATEMENT OF FINANCIAL ACTIVITIES FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2023 Total £'000	2022 Total £'000
INCOME						
Investment income (note 3)	-	1,011	-	13,435	14,446	11,894
Other income	-	-	-	2	2	2
Transfer to income (note 7)	48,984	-	1,022	(50,006)	-	-
TOTAL INCOME	<u>48,984</u>	<u>1,011</u>	<u>1,022</u>	<u>(36,569)</u>	<u>14,448</u>	<u>11,896</u>
EXPENDITURE (note 4)						
Expenditure on raising funds (investment costs)	-	2,750	-	13,011	15,761	12,643
Charitable activities						
Grant-making	48,984	-	790	-	49,774	68,060
TOTAL EXPENDITURE	<u>48,984</u>	<u>2,750</u>	<u>790</u>	<u>13,011</u>	<u>65,535</u>	<u>80,703</u>
Gains/(losses) on investment and currency assets (note 9)	-	5,946	-	82,095	88,041	(96,357)
NET MOVEMENT IN FUNDS	<u>-</u>	<u>4,207</u>	<u>232</u>	<u>32,515</u>	<u>36,954</u>	<u>(165,164)</u>
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2023	-	(3,180)	806	1,224,070	1,221,696	1,386,860
TOTAL FUNDS AT 31 DECEMBER 2023	<u>-</u>	<u>1,027</u>	<u>1,038</u>	<u>1,256,585</u>	<u>1,258,650</u>	<u>1,221,696</u>

Notes to the Accounts

19. BALANCE SHEET FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2023 Total £'000	2022 Total £'000
FIXED ASSETS						
Tangible Fixed Assets (note 8)	42	-	-	-	42	129
Investments (note 9)	60,007	101,027	-	1,256,908	1,417,942	1,383,980
Total Fixed Assets	60,049	101,027	-	1,256,908	1,417,984	1,384,109
CURRENT ASSETS						
Debtors (note 10)	260	-	-	578	838	790
Cash at bank	12,853	-	1,099	-	13,952	14,484
	13,113	-	1,099	578	14,790	15,274
CREDITORS						
Amounts falling due within one year (note 11)	(46,881)	-	(61)	(901)	(47,843)	(44,537)
NET CURRENT ASSETS/ (LIABILITIES)	(33,768)	-	1,038	(323)	(33,053)	(29,263)
TOTAL ASSETS LESS CURRENT LIABILITIES	26,281	101,027	1,038	1,256,585	1,384,931	1,354,846
CREDITORS						
Amounts falling due after one year (note 12)	(26,281)	(100,000)	-	-	(126,281)	(133,150)
NET ASSETS	-	1,027	1,038	1,256,585	1,258,650	1,221,696
FUNDS						
Main Endowment Fund	-	-	-	1,229,905	1,229,905	1,197,007
Estates Endowment Fund	-	-	-	26,680	26,680	27,063
Main Unrestricted Fund	-	-	-	-	-	-
Loan Notes Designated Fund	-	1,027	-	-	1,027	(3,180)
Estates Restricted Fund	-	-	1,038	-	1,038	806
TOTAL FUNDS AT 31 DECEMBER 2023	-	1,027	1,038	1,256,585	1,258,650	1,221,696

Accounts

THE HENRY SMITH CHARITY
Registered Charity 230102

**ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Contents

Chair's Review	1
Report of the Trustees	2
Report of the Auditors	18
Financial Statements	21

Chair's Review

In 2023 we gave £47m in grants, primarily through our Improving Lives and Strengthening Communities programmes. These two programmes, which together constitute our 2017 Main Grants strategy, awarded almost £43m in grants, a record year for us. Our smaller, more historic and specialised programmes awarded grants of £4m, consistent with previous years. Our 2024 budget will allow us to increase our funding to more than £50m.

As an independent funder in a world of growing complexity and need, it is vital that we maximise our impact. For this reason we launched a strategic review in late 2022, aiming to refresh our strategic framework and our grant-making approach, in light of learning from our own grant-making, from grant-holders and from the wider sector within which we operate. We aim to complete our strategic review in 2024 and implement changes in 2025.

To enable our strategic review, which is being carried out alongside our business-as-usual grant-making, we added modestly to the capacity of the staff team. We continue to see an increasing number of grant applications, and increased complexity in the management of ongoing grants, reflecting the continuing very difficult environment faced by our applicants, our grant-holders and ultimately the beneficiaries of our support. I am extremely grateful to the team for their hard work, skill, and passion in managing this challenging work, and look forward to the implementation of our strategic review enabling them to see greater impact from their efforts.

We have enjoyed excellent investment performance over recent years, but 2023 was a challenging year, with the backdrop of higher inflation and US equity market performance driven by a very narrow range of US stocks (the "Magnificent Seven"). Our active portfolio managers struggled to meet their benchmarks and our total portfolio returns of 4% were more than 5% behind benchmark for 2023. Over longer periods our diversified, actively managed portfolio has outperformed its benchmarks by a significant margin and we continue to keep our approach under review, to ensure that our strategies are robust and well implemented and that the portfolio is equipped to deliver long term returns.

Finally, I should like to thank my fellow Trustees for their support and commitment, shown in their generosity with time, skills and experience. My particular thanks goes to Vivienne Dews, our previous Chair, along with Piers Feilden, Emir Feisal and Paul Hackwood; they each served for ten years before retiring from the Board in early 2024.

William Sieghart, Chair

Report of the Trustees

Trustees

J Asquith	A Beeforth
B Colgrain	E Davies
V Dews (retired January 2024)	E Feisal (retired January 2024)
P Feilden (retired January 2024)	J Garrill
M Granger	P Hackwood (retired January 2024)
B Kernighan	B Nahl
F Rahman	G Roberts
W Sieghart (appointed July 2023)	N Pollock (appointed April 2024)

Registered Office

65 Leadenhall Street, London, EC3A 2AD

Website

www.henrysmithcharity.org.uk

Chief Executive

A Shukla

Charity Registration

230102

Bankers: Bank of Scotland, 8 Lochside Avenue, Edinburgh, EH12 9DJ

Solicitors: SNR Denton LLP, One Fleet Place, London, EC4M 7WS
Veale Wasbrough Vizards LLP, 24 King William Street, London, EC4R 9AT

Auditor: Crowe U.K. LLP, 55 Ludgate Hill, London EC4M 7JW

Investment Custodian: Northern Trust, 50 Bank St, London, E14 5NT

Investment Advisers: Cambridge Associates, 80 Victoria Street, London, SW1E5JL

Property Advisers: JLL, 33 Cavendish Square, London, W1A 2NF
Savills UK Ltd, Stuart House, City Road, Peterborough, PE1 1QF

Report of the Trustees

Overview

Introduction

The Henry Smith Charity was established from a gift of land given during the lifetime of Henry Smith, and bequest upon his death in 1628. Since then, the charity has honoured the spirit of Henry Smith's Will, working to combat disadvantage and meet the challenges and opportunities facing people in need throughout the UK. Nearly four centuries after we were first established, The Henry Smith Charity is one of the largest grant-making charities in the UK.

The Henry Smith Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. We achieve this by providing funding to reduce social and economic disadvantage. Our grantees are at the core of our mission and work.

The charity is registered in England and Wales and governed by a Scheme of the Charity Commissioners dated 5 October 2000 which came into effect on 1 January 2001.

Guiding Principles

The Charity has adopted a set of guiding principles which outline how we aim to work as an organisation. They guide our activity, serve as a reference for our ongoing work, and help to ensure that our actions are consistent with our aspirations. These principles underpin all our grant making activities.

- We aim to continue the legacy of philanthropy established by our founder Henry Smith;
- We focus on those social problems where there is an opportunity for our money to make a difference;
- We endeavour to maximise the effectiveness of our funding;
- We seek to be responsive to demand;
- We aim to maintain a rational, pragmatic approach; and
- We aim to be as helpful as possible to those we seek to assist.

Trustees

The Charity is required to have between ten and twenty Trustees. The Trustees are listed on page 1 of this report. New Trustees serve up to two terms of five years each, with provision in exceptional cases for a third term of up to five years. Trustees are appointed following a formal recruitment process, including an assessment of the Charity's needs and the mix of skills and experience on the Board. A structured induction programme is provided for all for new Trustees. Board effectiveness is maintained and ensured through regular reviews of both Board and individual Trustee performance, and Trustee training is provided as needed.

Report of the Trustees

Decision Making

The Board is responsible for all major policy decisions and for approving strategy and objectives. It meets four times a year. Main grants are approved by the Board, but significant decision-making authority is also delegated to the following committees and others:

- Decisions in respect of some of the Charity's smaller grant programmes are delegated to Trustee Committees or appointed staff, with recommendations and decisions being reported to the Board.
- The Governance and Nominations Committee is responsible for ensuring good governance of the charity.
- The Remuneration Committee is responsible for determining the Chief Executive's and Senior Managers' remuneration.
- The Investment Committee is responsible for investment policy, asset allocation, fund selection and performance monitoring.
- The Finance and General Purposes Committee is responsible for budgeting and financial management, organisational policies, staff remuneration, audit and risk management.

Day to day operational activities are delegated to the Chief Executive and members of the senior management team, comprising the Head of Finance & Resources, Head of Grants, Head of Grants Administration and Head of Learning & Evaluation, under a formal schedule of delegations.

Statement of Organisational Purpose

In 2019 we developed a statement of organisational purpose: ***'To use our resources to help people and communities at a time of need and to bring about positive change.'*** This informs and guides our decision making across the organisation.

The Charity's objects and activities for the public benefit

The Charity is constituted as two funds, the Main Fund and the Estates Fund. The objects of the Main Fund of the Henry Smith Charity have been changed at various points over the years, while maintaining the spirit of Henry Smith's original bequest. The objects as currently agreed with the Charity Commission are as follows:

- For the relief of the poor kindred of Henry Smith;
- For hospitals, hospices and other forms of residential care or provision of health care for those who are sick or in need and for other institutions providing medical assistance for those in financial need;
- For the relief of poor, aged or sick persons and their spouses, widows, widowers and dependants;
- For the relief of poor, aged or sick members of the clergy and their spouses, widows, widowers and dependants;
- For the relief, rehabilitation and training of disabled persons including disabled ex-Servicemen and war widows;
- For any medical research;
- For the promotion of moral welfare or social service;
- For the relief and rehabilitation of those persons who are or have been slaves or serfs and their dependants who are in need or distress or for preventing their seizure;
- For the costs of property to be used as accommodation for poor persons; and
- For the relief and maintenance of godly preachers or otherwise for the furtherance or promotion of knowledge and religion.

Report of the Trustees

The objects of the Estates Fund of the Henry Smith Charity are as follows:

- For the relief of poor, aged or infirm persons or advancing in life such persons in specified, historic parishes;
- For the benefit of hospitals or convalescent homes in the specified, historic parishes;
- For the relief of poor, aged or infirm or advancing in life such persons elsewhere in England and Wales; and
- For the benefit of hospitals or convalescent homes elsewhere in England and Wales.

The Charity's objects provide the framework within which more detailed funding priorities are set; these priorities will change from time to time as needs change and the funding landscape shifts. ***Current priorities for the Charity's grant programmes are set out on the Charity's website.***

In summary, the Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. This is achieved by funding organisations that work with people to reduce social and economic disadvantage.

Public Benefit

Trustees have considered the Charity Commission guidance on public benefit when planning future activities, setting grant-making policies and in making grants. The positive social impact anticipated from each grant is considered before a grant is awarded and monitored. This enables Trustees to be confident that the Charity has, through its wide range of grantees, achieved significant public benefit for a number of vulnerable groups across the UK. A diverse range of public benefit is provided by the hundreds of charities we support each year, as they work to alleviate need and distress, and help people lead more fulfilling lives. A summary of our grant making in 2023 is set out below illustrating the work we have supported.

Diversity, Equity and Inclusion

As a charity working to reduce social and economic disadvantage, the values of Diversity, Equity and Inclusion (DEI) are central to the ethos of The Henry Smith Charity. We believe that these values should be reflected throughout our whole organisation and everything we do. This includes working to address social inequity in all its forms including racial injustice and discrimination.

We recognise that this will not be achieved without self-awareness and work on our part. We are therefore committed to measuring, monitoring and publishing our progress in these areas.

We collect DEI data from all Main Grant applicants using the DEI Data standard, an independent standard developed in order to better understand funding flows to groups or communities experiencing structural inequities. This enables us to better understand our applicants and grant holders and helps us make more informed decisions about our grant making strategies and approaches.

In time we plan to contribute this learning to the wider charitable sector through the 360Giving platform, to provide greater transparency and accountability regarding the reach and impacts of our funding.

Internally we have established a DEI working group and engaged an expert consultant to work with us on a project to define our understanding of DEI as relating to our mission and to develop a shared understanding across the organisation. We are now considering how this should be applied across our work, and aligning this with our wider strategy.

Report of the Trustees

Grant Making Programmes

We awarded grants through the following programmes during the year.

Programme	Overview
Main Grants	Grants for organisations that work to reduce social and economic disadvantage. Main grants are divided into two separate programmes, Improving Lives and Strengthening Communities, with separate priorities and guidelines.
Strategic Grants	Grants identified proactively, supported by the evidence and learning from our responsive programmes. These grants are not restricted to proven work or direct service delivery and may involve significant elements of innovation, awareness raising and/or systemic change.
County Grants	Grants for smaller organisations working with disadvantaged people and communities in certain English counties with which the Henry Smith Charity has a historical connection.
Holiday Grants	Grants for recreational trips and holidays for groups of children aged 13 and under in the UK who are disabled or disadvantaged.
Parishes Grants	Grants for local organisations, mainly based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in specified parishes but currently also including parishes located in some of the most deprived areas in the UK as highlighted by the indices of deprivation.
Clergy and Christian Projects	Grants to support projects that explicitly promote the Christian faith in the UK.
Kindred Grants	Grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Grants are awarded on a means-tested basis.

Grants totalling £46.4million were awarded as follows:

Programme	Total Funding Committed
Main Grants	£42,663,000
County Grants	£455,000
Holiday Grants	£312,000
Parishes Grants	£982,000
Clergy and Christian projects	£1,325,000
Kindred Grants	£1,274,000
Less: cancelled/refunded grants	(£565,000)
Total Grant Awards	£46,446,000

A full list of the grants we made to organisations over the last year along with the detailed criteria for each grant programme is available on our website www.henrysmithcharity.org.uk

Report of the Trustees

Achievements and Performance – Main Grants

£42,663,000

Our Main Grants Strategy comprises two programmes: Improving Lives and Strengthening Communities. Each programme has its own priorities, funding guidelines, criteria and application information. In 2023, we made 268 grants – 216 Improving Lives grants and 52 Strengthening Communities grants. For the 2023 grant rounds we received 1,513 applications in total, an increase of over 20% from the previous year.

	Improving Lives	Strengthening Communities	Total
Total number of applications	1,228	285	1,513
Total number of grants	216	52	268
Success rate	18%	18%	18%

Almost all grants were for three years and the average total grant award was £159,000, a 14% increase on the previous year. The average Improving Lives grant was £163,000. The average Strengthening Communities grant was £144,000.

Continuation grants (repeat grants made to applicants who we currently fund) accounted for 32% of all Main Grants, lower than previous years.

Improving Lives

Through the Improving Lives grant programme, we support charitable organisations across the UK to help people for whom other sources of support have failed, been inappropriate or are simply not available. This is our largest funding programme, through which we distribute most of our funds. In 2023, we made **216 Improving Lives grants** in response to **1,228 applications**.

The Improving Lives programme has six funding priorities, which describe the work we fund and how we want to bring about change for the most disadvantaged people in the greatest need. During the application process grantees must demonstrate how the outcomes they deliver meet one or more of these priority areas:

- **Help at a Critical Moment** - Helping people to rebuild their lives following a crisis, critical moment, trauma or abuse;
- **Positive Choices** - Helping people, whose actions or behaviours have led to negative consequences for themselves and others, to make positive choices ;
- **Accommodation / Housing Support** - Enabling people to work towards or maintain accommodation;
- **Employment and Training** - Supporting people to move towards or gain employment;
- **Financial Inclusion, Rights & Entitlements** - Supporting people to overcome their financial problems and ensure they can claim their rights and entitlements; and
- **Support Networks & Family** - Working with people to develop improved support networks and family relationships.

Strengthening Communities

The Strengthening Communities programme supports small grassroots organisations working in the most deprived areas of the UK (measured by national indices of multiple deprivation). Smaller organisations rooted in their communities play a vital role in supporting people to make positive changes, and we support these organisations to create lasting solutions for both individuals and their communities.

Report of the Trustees

In 2021 we promoted our Strengthening Communities Programme in areas of the UK where the levels of applications were lower and updated the criteria for the programme to fund organisations physically located within, or immediately next to the most deprived areas, with the aim of reducing the number of ineligible applications. These two measures have resulted in an increase in applications and grants and in 2023, we made **52 Strengthening Communities grants** in response to **285 applications**.

Cause Areas Supported

Cause area	% of Grants addressing this cause area
Black and Minority Ethnic Communities	7%
Carers	3%
Children and Young people	21%
Disability	4%
Disadvantaged Communities	32%
Domestic and Sexual Abuse	13%
Family Services	10%
Homelessness	4%
Learning Disabilities	4%
LGBTQ	4%
Mental Health and Wellbeing	15%
Older People	4%
Prisoners and Ex-Offenders	1%
Refugees and Asylum Seekers	7%
Sex Work, Trafficking and Modern Slavery	2%
Substance Misuse and Dependency	2%

We are a broad, responsive grant maker, supporting people with a range of different, and sometimes intersecting needs. The table highlights the groups of people and needs supported by applicants and grant holders; grant holders frequently support more than one group or need so many of our grant awards will fall within more than one category.

Geographical Distribution

As a UK-wide responsive funder running an open grant programme, we seek to make grants across the UK. The table below shows the number of grants made and applications received in the year split by geographical area.

We find that much of the work meeting the greatest need is within the most deprived, mainly urban areas of the UK. We continue to review the geographical spread of our grant making to ensure that we are receiving applications from all areas of the UK and that our grant making is targeted to need; this includes work to promote the Charity in areas with relatively fewer applications.

Report of the Trustees

Geographical area	Grants	Applications
Crown Dependency	0	1
East Midlands	16	78
East of England	17	83
London	53	227
National	11	114
North East	14	73
North West	33	168
Northern Ireland	5	40
Scotland	26	152
South East	24	188
South West	22	115
Wales	8	59
West Midlands	15	109
Yorkshire and the Humber	24	106
Total	268	1,513

Grant Assessment

We assess the quality of applications against a wide variety of different criteria to ensure that we are achieving our charitable objectives and that we are making robust, transparent and consistent funding decisions.

Assessment of applicant organisations is divided into the following headings:

- Vision, mission and strategy
- Integration into the community
- Financial Eligibility
- Budgeting and fundraising
- Governance

Assessment of the service(s) provided is divided up into the following headings:

- Need for the service
- Description of the service
- Is it clear how the service is making a difference?
- Service impact
- How 'significant' is the difference?
- Monitoring & evaluation quality
- Ability to deliver
- Is the work delivered as intended?

Once an application has passed the initial paper-based assessment, a Grants Manager or Volunteer Visitor will make an assessment visit. This enables us to assess the need for the project, ensure the organisation's management and governance are fit for purpose, confirm that the project is sustainable, and the outcomes are both realistic and achievable.

Report of the Trustees

Grant Holders' Progress Reports

Once a grant has been approved, grant holders report back to us on their progress annually for the duration of their grant. They report on the numbers of people they helped, activities delivered, beneficiary outcomes, organisational developments, external changes that have affected their work, their financial performance and outlook for the year ahead. They also provide beneficiary case studies.

These reports provide valuable information on issues our grant-holders are facing, and on progress of work supported by our grants.

Learning and Evaluation

In line with the wider voluntary sector we need to understand the impact of our work. We require those applying to us to demonstrate the outcomes they are achieving and believe we should apply the same rigour to ourselves. This is a challenge, as our grants cover a wide range of services and groups to relieve poverty, deprivation and disadvantage.

We monitor the outcomes of all grants through our progress reporting process. We examine the specific outcomes that organisations have achieved in terms of the number of people they work with and the benefit they provide. We monitor our grantmaking throughout the year but also carry out a detailed annual review to confirm our understanding of who and what we are funding. We analyse applications and grants made and use the data to inform our policy-making and future planning. This continues to be particularly important for understanding the changing environment within which our grant holders work.

We also gather insight and learning from the wider sector to inform our grantmaking. We carry out a series of internal reviews looking at the context, needs and issues in each of the major sectors we fund. This work gathers learning to inform our Improving Lives and Strengthening Communities grants assessments and feeds into longer term policy and strategy development. We also identify opportunities for strategic funding where our funding could have a magnified impact. Over the last year we continued to develop our internal learning log for collecting learning and using it systematically to inform our decision making.

Achievements and Performance – Other Programmes

County Grants

£455,000

Historically, the County Grants programme has supported the work of small organisations and charities in eight counties with which the Henry Smith Charity has a historical connection. A decision was made in 2021 to phase out the programme, to focus funding more directly into areas of the greatest need, with programmes in specific counties closing on the retirement of the Trustees with responsibility for these areas. The Leicestershire fund closed in 2023.

Grants support work with people experiencing social and/or economic disadvantage (people with disabilities, for example) and work to address problems in areas of high deprivation. Grants range from £2,000 to £20,000. Grant recommendations are made by County Trustees, using their local knowledge to assess the merit of applications, and considered for approval at the quarterly Board meetings.

In 2023, 32 grants were awarded across two counties and were used for organisation running costs, salaries, project costs, or one-off small capital expenditure such as building refurbishment or equipment.

County	Grant Number	Grant Amount
Kent	23	£287,000
Leicestershire	9	£168,000

Report of the Trustees

Holiday Grants

£312,000

The Holiday Grants programme provides one-off grants for short holidays and recreational trips for groups of children aged 13 and under who are disabled or disadvantaged. During the year we made 133 grants. Grants ranged between £500 and £2,750 and were made to schools, youth groups, not for profit organisations and charities. It is important to us that no child be excluded on financial grounds from a trip we are supporting, and all grants are awarded on this condition.

Clergy and Christian Projects

£1,325,000

The Clergy and Christian Projects grants programme has several elements and during the year grants were awarded as follows:

Programme	Grant Amount
Grants to support individual clergy, managed through Church of England dioceses	£669,000
Grants to Christian Projects that explicitly promote the Christian faith in the UK	£656,000

We value projects that set out to nurture and grow people's journey in Christian faith and grow churches, and only support work that comes from a Church of England context, or is fully ecumenical. All applications must explicitly address one or more of the following priorities:

1. Meeting the spiritual needs of older people, including those with dementia.
2. Reaching out to people unconnected with churches, especially young people and young families, by nurturing their spiritual interest and well-being.
3. Projects which support and care for Anglican clergy at times of acute need.

Kindred

£1,274,000

In line with Henry Smith's will, which included a legacy to help members of his family in financial need, we award grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Our Kindred grant making goes directly to address financial need among the descendants of Henry Smith and grants are awarded on a means-tested basis. A free confidential Helpline is also provided as an alternative means of assistance. More than 2,500 kindred are registered with us and over 200 people received financial support in 2023.

Parishes

£982,000

The parish scheme is a separate fund within the endowment, representing just over 2% of our assets. Under the scheme we distribute annual grants of between £2,000 and £20,000 to over 150 entities, based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in particular parishes. These entities then use the money for the relief of poverty within their designated parishes, and report annually how the money was used. We also awarded grants in a modest number of parishes outside the scope of the original scheme, in areas with high levels of deprivation, and continued to offer the opportunity for parishes to apply for supplementary grants to meet additional needs in their area.

The entities include local ecclesiastical parishes, specially established local Henry Smith Charities and larger grant making organisations such as Trust for London and Cripplegate Foundation. In 2023 we made approximately 200 grants intended to support 15,000 beneficiaries.

Report of the Trustees

Plans for Future Development

The Charity is currently carrying out an organisation-wide strategic review, with the active participation of staff, Trustees, Volunteer Visitors and other key stake-holders. Faced with a world of growing need and complexity, we want to ensure that our work continues to be relevant and that we maximise the impact of our funding and resources. We plan to announce initial outcomes of our review later in 2024, with full detail and implementation following in 2025.

We will close our Main Grants programme to new applicants during 2024, to give space for the development and implementation of our new strategy, but will continue to provide funding for existing grant-holders whose grants end before the new strategy is implemented, and will explore opportunities for partnership funding. With our smaller grant programmes continuing to run as normal, we anticipate making awards totalling more than £60m in 2024.

We continue to develop and embed a shared understanding of DEI across the organisation, led by our Chief Executive and Senior People & Culture Manager, and are working to refresh our organisational Culture & Values. This work will be closely aligned with our strategic review.

Finally, we continue to build our communications resources and activities, and will be reviewing our Charity brand in the context of our strategic review.

Financial Review

Investments

The Henry Smith Charity is a permanent endowment, with assets held in perpetuity. These assets are the primary funding source for the Charity, so the performance of investments over the long term is vitally important to the sustainability of the Charity, and the impact it can make through the grants it awards.

The Charity operates a Total Return approach to investment, with power to spend both income and capital, provided the core endowment of the fund is maintained. The Charity has power under its Scheme to invest in stocks, shares, funds, securities and other property. The Trustees have appointed professional investment advisors, who advise on investment policy and strategy, asset allocation, manager selection and performance.

Investment Policy

The investment portfolio has the primary long-term objective of maximising sustainable spending from the portfolio in order to support grant-making. The secondary long-term objective is to maintain the real value of the fund in perpetuity after spending. The Charity currently aims to spend 4% per annum of the portfolio in grant-making over the long-term and the portfolio has a goal of returning an annual 4% real return over a rolling 5 year period.

It is recognised that in order to achieve the primary objective of sustaining a 4% spending rate over the long term, there will be periods of short-term volatility of investment returns. The investment strategy seeks to build a diversified portfolio that minimises the impact of short-term fluctuations. Given the portfolio's strategic asset allocation and investment strategy it is understood that potential short-term losses are possible.

Report of the Trustees

The Charity also recognises that there are several other forms of risk beyond short term volatility that need to be managed as part of the ongoing oversight of the portfolio. These risks include the prudent management of liquidity, the level of exposure to non-Sterling denominated assets, the level of overall leverage in the portfolio and risks associated with investing alongside investors with different goals.

ESG and Carbon

The Charity adopted the following policy in relation to Environmental, Social and Governance (ESG) issues, and has communicated the policy to all fund managers with whom it invests.

- We take ESG factors into account when we select new managers and when assessing existing managers.
- We also review our direct equity investments held via index-tracking funds to assess which companies we may wish to exclude/engage with.
- We apply a materiality lens to the observations and judgements that we make.

The Trustees have excluded from our directly held investment portfolio companies who have significant involvement (greater than 10% of turnover) in the production or retailing of alcohol or tobacco, gambling or predatory lending. Companies with any involvement in the production or sale of indiscriminate weaponry are also excluded.

During the year we carried out an ESG analysis of our public equity and hedge fund portfolios, and we are pleased to report that all our public equity managers have implemented ESG policies, which are integrated into their investment approach and lead to engagement with portfolio companies regarding ESG issues. Almost all our hedge fund managers have ESG policies in place

We also carried out a Carbon analysis of the public equity portfolios. The portfolio exposure to fossil fuel producers is less than 50% of the exposure of the benchmark indices, and the weighted average carbon intensity for all the companies held in the public equity portfolios is 60% of the carbon intensity of the benchmark indices. We will continue to review our portfolio exposures and consider our approach to carbon on a regular basis.

Asset Allocation and Strategy

Approximately 60% of the investment portfolio was allocated to growth assets during the year, to provide longer term returns, with the remaining allocation invested in diversifying assets. Further details are given in note 9 to the accounts.

Total Return Approach to Investing

The Charity operates a Total Return approach to investments, with freedom to invest the entire endowment with the aim of maximising total returns regardless of whether those returns accrue by way of income or capital growth. Over the long term the investment portfolio has a target annualised return of CPI +4%; over shorter periods we assess performance against a blended benchmark comprising benchmarks for the individual asset classes in which we invest.

Investment Returns for 2023

Investment returns, net of fees, were over £80m. Total returns for the portfolio for the year were 4.0% (2022: -6.0%), just over 5% behind the portfolio benchmark. Over the last 5 years the portfolio has exceeded its long-term benchmark of CPI + 4% by 0.8% per annum. Portfolio performance over the last two years has struggled, with high inflation over the last two years and equity benchmark performance in 2023 driven by a very narrow range of stocks; over longer periods the portfolio has continued to outperform.

Report of the Trustees

Investment Costs

The Charity aims to maintain transparency over the total fees paid on investments and regularly reviews manager fees to ensure they are matched by performance. All investment performance is reported net of fees to enable us to monitor this closely and take corrective action where necessary.

We spent £15.8m (2022: £12.6m) on our investment fees and costs. Our investments in alternative assets such as hedge funds are more expensive than traditional long-only investments, but over time we have obtained excellent returns with lower volatility, which have more than compensated for the additional fee costs.

Fee costs comprise ongoing fees generally set as a fixed percentage of the investment value and additional fees payable only if performance thresholds and hurdles are exceeded. The performance-related fees for our alternative investment assets amounted to £3.2m of the total expenditure.

Issuance of long-term loan notes

In early 2022 the Charity took the opportunity of exceptionally low long-term borrowing costs to issue £100m in 50-year loan notes, with a fixed interest rate of 2.75% and full repayment of capital due in 2072.

This was carried out based on detailed analysis from the Charity's investment advisor, showing that investment of the £100m proceeds across the investment portfolio for the full 50 years would enable the Charity both to increase its annual distributions and see an increased portfolio value in 50 years' time. The Trustees were satisfied that the risks were demonstrably very low, and the expected benefit, while taking the long-term to fully accrue, will prove to be material.

“Core Endowment” (endowment funds)

Under the Total Return approach, the Charity must ensure that the value of total endowment funds does not fall below the Core Endowment. The Core Endowment is fixed at £276m, representing the value of the endowment as at 31 December 1991. Endowment funds in excess of the Core Endowment are known as the Unapplied Total Return; these are the accumulated returns from which the Charity may make funds available for grant-making. The Trustees also monitor the value of endowment funds compared to an inflation-adjusted measure of the Core Endowment, recognising the need to maintain the Charity's spending power in real terms.

The Charity's current policy is to transfer each year from the endowment funds, into the Main Unrestricted and Estates Restricted funds, 4.0% of the total value of the endowment as averaged over the previous 5 years (referred to as the “Distribution Rate”); these funds are then available for grant making and operations. These transfers are funded over time by the total investment returns achieved by the Charity's endowment. The Trustees review the Distribution Rate from time to time and adjust as necessary to take account of prevailing rates of investment return.

In addition, the Trustees agreed in 2021 to distribute an additional up to £100m over ten years, in light of strong historic investment performance. With advice from Cambridge Associates this additional amount has been assessed as affordable while preserving the long-term funding capacity of the Endowment. Including the commitment for 2024 noted below, a total of just over £50m has now been committed from this allocation.

The movements in Unapplied Total Return for 2023 are shown in note 7 to the accounts. The Charity transferred £45.4m into the Main Unrestricted and Estates Restricted funds for its annual distribution, calculated at a 4.0% Distribution Rate, and an additional £4.6m to accommodate agreed additional grant spending. For 2024 the Trustees have agreed a transfer of £47.2m calculated at a 4.0% Distribution Rate plus an extra £19.3m for additional grant spending.

At 31 December 2023, the endowment funds of £1.3bn were well in excess of the Core Endowment.

Report of the Trustees

Reserves (grant-making funds)

The Main Unrestricted fund balance was nil throughout the year, with the Charity withdrawing funds from the Endowment as required for grant-making.

The Estates Restricted fund is used solely for grants under the Parish programme, with reserves of £1.0m at the year-end.

Risk Management

The Trustees formally review risk on an annual basis as well as when issues arise, and during the year adopted a new risk management framework to enable more effective risk management. The Trustees also meet the auditors during the year to discuss recommendations arising from their annual audit, which inform our approach.

One of the key risks identified is that of substantial investment losses, which would reduce the amount of funding available over the longer-term and hence the Charity's impact; to address this the Charity has a diversified investment portfolio and actively manages a range of risks, including performance, liquidity, currency and other risks, which should minimise the potential for long term losses. The investment portfolio continues to be resilient, and saw positive returns in 2023.

The Charity actively monitors a range of current risks, including the ongoing impact of the cost-of-living crisis, and wider economic and political events. Risks include business continuity in the event of disaster or other business interruption, and a policy and action plan are in place to manage this risk.

The Charity continues to monitor the performance of grants and the level of applications, given the turbulent environment which charities face. The level of grant applications remains strong but manageable. The Charity is currently undergoing a Strategic Review, aiming to ensure that its grant-making approach remains relevant and is designed to maximise impact.

Safeguarding is a key risk area, and a safeguarding policy and training plan are in place.

Data Protection and the GDPR legislation remain important priorities. Key areas have been addressed, and work is ongoing to ensure compliance as the Charity's activities develop over time.

The Charity continues to monitor staff wellbeing, aiming to provide a supportive and safe working environment, along with specific support and tools where this can benefit individuals.

The Trustees have reviewed areas of potential risk for the Charity and concluded that there are sufficient controls in place across the organisation to ensure it meets its responsibilities.

Preparation of the Accounts on a Going Concern Basis

The Charity's normal practice is to distribute no more than 4% of assets annually calculated on a five-year rolling basis. On occasion, the Charity may make additional distributions, in which case an assessment of affordability and long-term sustainability is carried out, with advice from its investment advisor.

Total assets at 31 December 2023 were well in excess of the £276 million "core endowment" which must be preserved. The Trustees continue to consider the Charity to be a going concern and to prepare the accounts on this basis.

Report of the Trustees

Remuneration of Key Management Personnel and Staffing

The Trustees consider the Board of the Charity and the Senior Leadership Team (the Chief Executive, Head of Grants, Head of Grants Operations, Head of Learning & Evaluation, and Head of Finance & Resources) as comprising the key management personnel of the charity, in charge of directing and controlling the charity and running and operating the charity on a day-to-day basis.

No Trustees are remunerated by the Charity. Remuneration for the Senior Leadership Team is reviewed annually, with salary increases determined in light of inflation rates and affordability. Salary increases and remuneration levels are also reviewed against other grant-making charities of a similar size and activity, to ensure remuneration is fair and not out of line with that generally paid for similar roles.

Conflicts of Interest

From time to time the Charity makes grants to organisations with whom one or more of its Trustees is connected, typically as a Trustee or member of staff. The Charity takes steps to ensure that decisions on these grants are made at arms-length, and in accordance with its policies for dealing with potential conflicts of interest

Fundraising

The Charity has no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report 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 and Wales 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 Charity and of the incoming resources and application of resources of the Charity for that period.

In preparing these financial statements, the Trustees are 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are 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.

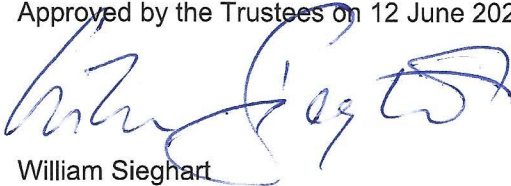
Report of the Trustees

Disclosure of information to auditors

In so far as the Trustees are aware:

- There is no relevant audit information of which the Charity's auditors are unaware.
- The Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information

Approved by the Trustees on 12 June 2024

A handwritten signature in blue ink, appearing to read 'William Sieghart', is written over the printed name and title.

William Sieghart
Chair

Independent Auditor's Report to the Trustees of The Henry Smith Charity

Opinion

We have audited the financial statements of The Henry Smith Charity ('the Charity') for the year ended 31 December 2023 which comprise the Statement of Financial Activities, Charity Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2023 and of the Charity's income and receipt of endowments and expenditure, 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.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Trustees of The Henry Smith Charity

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustee's report; or
- sufficient and proper accounting records have not been kept by the parent charity; 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.

Responsibilities of the trustees

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

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

Independent Auditor's Report to the Trustees of The Henry Smith Charity

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Charity for fraud.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance and General Purposes Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the Charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor

London

1 July 2024

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Statement of Financial Activities for the Year Ended 31 December 2023

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2023 Total £'000	2022 Total £'000
INCOME						
Investment income (note 3)	-	1,011	-	13,435	14,446	11,894
Other income	-	-	-	2	2	2
Transfer to income (note 7)	48,984	-	1,022	(50,006)	-	-
TOTAL INCOME	<u>48,984</u>	<u>1,011</u>	<u>1,022</u>	<u>(36,569)</u>	<u>14,448</u>	<u>11,896</u>
EXPENDITURE (note 4)						
Expenditure on raising funds (investment costs)	-	2,750	-	13,011	15,761	12,643
Charitable activities						
Grant-making	48,984	-	790	-	49,774	68,060
TOTAL EXPENDITURE	<u>48,984</u>	<u>2,750</u>	<u>790</u>	<u>13,011</u>	<u>65,535</u>	<u>80,703</u>
Gains/(losses) on investment and currency assets (note 9)	-	5,946	-	82,095	88,041	(96,357)
NET MOVEMENT IN FUNDS	<u>-</u>	<u>4,207</u>	<u>232</u>	<u>32,515</u>	<u>36,954</u>	<u>(165,164)</u>
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2023	-	(3,180)	806	1,224,070	1,221,696	1,386,860
TOTAL FUNDS AT 31 DECEMBER 2023	<u>-</u>	<u>1,027</u>	<u>1,038</u>	<u>1,256,585</u>	<u>1,258,650</u>	<u>1,221,696</u>

The notes on pages 24 to 35 form part of these accounts.

All income and expenditure derive from continuing activities. The statement of financial activities includes all gains and losses recognised during the year and there is no difference between the results for the year stated above and their historical cost equivalents.

Balance Sheet as at 31 December 2023

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2023 Total £'000	2022 Total £'000
FIXED ASSETS						
Tangible Fixed Assets (note 8)	42	-	-	-	42	129
Investments (note 9)	60,007	101,027	-	1,256,908	1,417,942	1,383,980
Total Fixed Assets	60,049	101,027	-	1,256,908	1,417,984	1,384,109
CURRENT ASSETS						
Debtors (note 10)	260	-	-	578	838	790
Cash at bank	12,853	-	1,099	-	13,952	14,484
	13,113	-	1,099	578	14,790	15,274
CREDITORS						
Amounts falling due within one year (note 11)	(46,881)	-	(61)	(901)	(47,843)	(44,537)
NET CURRENT ASSETS/ (LIABILITIES)	(33,768)	-	1,038	(323)	(33,053)	(29,263)
TOTAL ASSETS LESS CURRENT LIABILITIES	26,281	101,027	1,038	1,256,585	1,384,931	1,354,846
CREDITORS						
Amounts falling due after one year (note 12)	(26,281)	(100,000)	-	-	(126,281)	(133,150)
NET ASSETS	-	1,027	1,038	1,256,585	1,258,650	1,221,696
FUNDS						
Main Endowment Fund	-	-	-	1,229,905	1,229,905	1,197,007
Estates Endowment Fund	-	-	-	26,680	26,680	27,063
Main Unrestricted Fund	-	-	-	-	-	-
Loan Notes Designated Fund	-	1,027	-	-	1,027	(3,180)
Estates Restricted Fund	-	-	1,038	-	1,038	806
TOTAL FUNDS AT 31 DECEMBER 2023	-	1,027	1,038	1,256,585	1,258,650	1,221,696

Approved by the Trustees on 12 June 2024 and signed on their behalf by:




William Sieghart
Chairman

Ben Kernighan
Trustee

The notes on pages 24 to 35 form part of these accounts.

Cashflow Statement for the Year Ended 31 December 2023

	2023 £'000	2022 £'000
Net cash used in operating activities (note 16)	(56,379)	(42,849)
Cash flows from investing activities		
Investment Income received	14,777	11,949
Payments for Investment Management and advice	(9,989)	(11,092)
Purchase of tangible fixed assets	(4)	(50)
Cash withdrawn from fixed asset investments to fund operating costs	51,063	34,565
Repayment of social investments	-	8
Net cash provided by investing activities	55,847	35,380
Change in cash and cash equivalents in the year	(532)	(7,469)
Cash and cash equivalents at 1 January 2023	14,484	21,953
Cash and cash equivalents at 31 December 2023	13,952	14,484

Reconciliation of net debt

	Cash at bank £'000	Long-Term Bond £'000	Total Net Debt £'000
Balance at 1 January 2023	14,484	(100,000)	(85,516)
Cashflows	(532)	-	(532)
Balance at 31 December 2023	13,952	(100,000)	(86,048)

The notes on pages 24 to 35 form part of these accounts.

Notes to the Accounts

1. CHARITY INFORMATION

The Charity (registered no. 230102) is a public benefit entity established in the UK as a Trust governed by a Scheme of the Charity Commissioners dated 5 October 2000. It operates from its principal place of business, 65 Leadenhall Street, London EC3A 2AD.

2. ACCOUNTING POLICIES

Basis of Preparation

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain fixed asset investments, and in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Charities Act 2011.

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 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) issued on 16 July 2014 rather than the previous Statement of Recommended Practice: Accounting and Reporting by Charities effective from 1 April 2005 which has since been withdrawn.

Trustees have considered the impact of the external environment on the Charity's activities and resources. The impacts on investment performance and grant making activities have been reviewed and included in our risk management framework. These factors have been considered alongside relevant forecasts and budgets and trustees are not aware of any material uncertainties surrounding the Charity's ability to continue as a going concern.

Funds

The Charity's Funds include two permanent endowments. The Main Endowment Fund may be used to support all of the Charity's objects. The Estates Endowment Fund may only be used to support charitable activities in specified, historic parishes in England. The assets of both funds are pooled and managed as a single investment portfolio; investment returns are allocated in proportion to the Funds' asset values. The Estates Restricted Fund reflects funds made available from the Estates Endowment Fund for grant-making which are not yet spent. The Loan Notes Designated Fund represents the current valuation of £100m raised through issuing loan notes in 2022 and invested in the Charity's investment portfolio, less the £100m creditor balance repayable in 2072.

The Charity also holds funds to cover the costs of managing legacy activities related to the Equitable Charitable Trust. Once these legacy activities are completed any remaining funds will be made available for grant-making. At 31 December 2023 £170k was held within endowment funds for this purpose.

Income

Dividends are recognised as receivable when a security is listed as ex-dividend. Income from fixed interest investments is recognised when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank or investment fund. Other investment income is recognised when notified as payable to the Charity by the relevant fund managers.

Expenditure

Liabilities are recognised as expenditure when there is a legal or constructive obligation committing the Charity to the expenditure. Grants, both single and multi-year, are recognised in the accounts as liabilities after they have been approved by the Trustees, the recipients have been notified and there are no further terms and conditions to be fulfilled within the control of the Charity. In these circumstances there is a valid expectation by the recipients that they will receive the grant.

Notes to the Accounts

Expenditure on raising funds

Expenditure on raising funds includes the direct costs paid to service providers for managing the investment assets, the direct costs of activities including staff salaries and other expenditure, and an allocation of related support costs. Support costs are allocated according to an estimate of the proportional usage across different activities supported, generally on a staff time basis.

Charitable activities

The cost of charitable activities consists of grants awarded, the direct costs of grant making activities including staff salaries and other expenditure, and an allocation of related support costs.

Investments

Marketable investment assets are included in the financial statements at their fair values, either at closing market prices (listed investments) or through independent valuation (unlisted direct property) or from valuations provided by the investment manager (unlisted hedge funds, private equity and indirect property). Cash held for investment purposes is included within investments. The Charity enters into forward currency contracts to reduce currency exposure in its investment portfolio. The basis of fair value of these forward exchange contracts is estimated by using the gain or loss that would arise from closing the contract at the balance sheet date. All investment and currency gains and losses are recognised as incurred.

Pensions

The Charity operates a defined contribution scheme. Contributions payable to the scheme are included as expenditure in the period in which the Charity receives the related services from the employees.

Irrecoverable VAT

Irrecoverable VAT is included in the Statement of Financial Activities or Fixed Assets within the expenditure to which it relates.

Fixed assets

Leasehold improvements are included at cost and depreciated on a straight-line basis over the remaining term of occupation of the Charity's premises. Fixtures, fittings and equipment are included at cost and depreciated on a straight-line basis over 3 years. The cost of assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Operating leases

Rental costs of operating leases where the Charity is a lessee are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rental income from operating leases where the Charity is a lessor is recognised on a straight-line basis over the term of the relevant lease.

Key judgements and assumptions

In the application of the charity's accounting policies, Trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

Notes to the Accounts

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods. The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

Valuation of investment properties – these are stated at their estimated fair value based on professional valuations as disclosed in note 9. Commercial Property valuations are prepared by applying an investment yield to the appropriate rental income stream, having regard to the individual asset fundamentals, including inter alia, location, lease length and tenant covenant strength. The relevant investment yield and rental values are determined principally through the use of comparative data.

Valuations for Rural Estates properties let on Assured Shorthold, Farm Business or protected residential tenancies are calculated by applying a discount to the vacant possession value to reflect the degree to which vacant possession is not immediately available. Valuations for properties let under the Agricultural Holdings Act 1986 are prepared by making an assessment of the estimated rental value of the properties, as compared to the current rent passing, and applying to the estimated rental value a valuation yield to reflect the individual characteristics of the property.

Valuation of private equity investments – these are stated at their estimated fair value based on valuations carried out by the fund managers.

Financial instruments

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Financial assets held at amortised cost comprise cash at bank, together with trade and other debtors. Financial liabilities held at amortised cost comprise trade and other creditors.

Investments held as part of an investment portfolio are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure.

3. INVESTMENT INCOME

	2023 £'000	2022 £'000
Equities	3,470	4,551
Fixed Income	4,657	761
Property	6,319	6,582
	14,446	11,894

Notes to the Accounts

4. EXPENDITURE

	Expenditure on Raising Funds £'000	Grant- making £'000	Governance £'000	Total 2023 £'000	Total 2022 £'000
Grants awarded (note 5)	-	46,446	-	46,446	64,901
Direct costs					
Direct property costs	2,032	-	-	2,032	1,986
Investment management, administration and advice	13,543	-	-	13,543	10,476
Staff costs (note 6)	100	1,320	96	1,516	1,326
Auditors' remuneration*	-	-	51	51	48
Other costs	-	205	103	308	376
	<u>15,675</u>	<u>47,971</u>	<u>250</u>	<u>63,896</u>	<u>79,113</u>
Support costs					
Staff costs (note 6)	30	793	13	836	751
Premises and office services	56	723	24	803	839
	<u>86</u>	<u>1,516</u>	<u>37</u>	<u>1,639</u>	<u>1,590</u>
Total expenditure	<u>15,761</u>	<u>49,487</u>	<u>287</u>	<u>65,535</u>	<u>80,703</u>

* - in the current and previous year the auditors' remuneration was solely for audit services.

5. GRANTS AWARDED

	2023 £'000	2022 £'000
Grants to organisations	45,053	63,648
Grants to individuals	1,958	1,583
Grants returned or cancelled	(565)	(330)
Total Grants Awarded	<u>46,446</u>	<u>64,901</u>

Further analysis of our main grant awards is given in the Trustees' Report and a full listing of grants awarded to organisations is available on our website (www.henrysmithcharity.org.uk). This information has not been audited.

6. STAFF COSTS

	2023 £'000	2022 £'000
Wages and salaries costs	1,844	1,624
Social security costs	210	193
Pension costs	200	172
Other benefits	97	88
	<u>2,351</u>	<u>2,077</u>

Notes to the Accounts

The average number of employees

Generating Funds	1	1
Grant-making	38	36
Governance	1	1
Total	40	38

The number of employees with emoluments greater than £60,000

£130,000-£140,000	1	-
£110,000-£120,000	-	-
£100,000-£110,000	1	-
£90,000-£100,000	-	1
£80,000-£90,000	-	-
£70,000-£80,000	2	2
£60,000-£70,000	3	1

No pension contributions were outstanding at the year end.

A termination payment of £29,394 was made to one member of staff during the year (2022: nil) and is included within wages and salaries costs.

Total remuneration for key management personnel for the year amounted to £549,000 (2022: £530,000). Expenses reimbursed to key management personnel for the year amounted to £4,570 (2022: £2,993).

7. MOVEMENT IN UNAPPLIED TOTAL RETURN

The overall movement in unapplied total return in the year was as follows:

	2023 £'000	2022 £'000
Unapplied total return at 1 January 2023	948,070	1,110,041
Add: Income received	13,437	11,756
Less: Expenditure on raising funds	(13,011)	(10,433)
Less : Investment gains/(losses)	82,095	(95,247)
Unapplied total return before transfer to income	1,030,591	1,016,177
Less: transfer to income	(50,006)	(68,047)
Unapplied total return at 31 December 2023	980,585	948,070
Add: core endowment	276,000	276,000
Endowment assets at 31 December 2023	1,256,585	1,224,070

The Charity is permitted to adopt a total return approach to its investments by Order of the Charity Commissioners for England and Wales dated 20th December 2006.

Notes to the Accounts

8. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost at 1 January 2023	306	258	564
Additions	4	-	4
Disposals	(50)	-	(50)
Cost at 31 December 2023	<u>260</u>	<u>258</u>	<u>518</u>
Accumulated depreciation at 1 January 2023	192	244	436
Depreciation charged in the year	36	4	40
Accumulated depreciation at 31 December 2023	<u>228</u>	<u>248</u>	<u>476</u>
Net Book Value at 31 December 2023	<u>32</u>	<u>10</u>	<u>42</u>
Net Book Value at 31 December 2022	<u>114</u>	<u>15</u>	<u>129</u>

9. INVESTMENTS

	2023 £'000	2022 £'000
Listed Investments	397,830	336,401
Unlisted Investments	742,490	778,119
Investment Properties	199,201	206,951
Cash and other balances	78,421	62,509
Total Investments	<u>1,417,942</u>	<u>1,383,980</u>

The movement in market value of investments (excluding cash and other balances) was as follows:

	2023 £'000	2022 £'000
<i>Listed Investments</i>		
Market Value at 1 January 2023	336,401	410,156
Investment (losses)/gains net of fees	27,527	(41,690)
Additions	41,496	95,942
Disposals	(7,593)	(128,007)
Market Value at 31 December 2023	<u>397,830</u>	<u>336,401</u>

Notes to the Accounts

Unlisted Investments

Market Value at 1 January 2023	778,118	686,642
Investment (losses)/gains net of fees	48,489	(51,308)
Additions	20,155	220,920
Disposals	(104,272)	(78,135)

Market Value at 31 December 2023	742,490	778,118
---	----------------	----------------

Investment Properties

Market Value at 1 January 2023	206,951	215,772
Investment gains/(losses) net of fees	9,009	(8,106)
Additions	-	-
Disposals	(16,759)	(715)

Market Value at 31 December 2023	199,201	206,951
---	----------------	----------------

Total gains were made up as follows:	2023	2022
	£'000	£'000

(Losses)/gains on investment assets	85,024	(99,734)
Other currency (losses)/gains	3,017	3,377

Investment and currency (losses)/gains	88,041	(96,357)
---	---------------	-----------------

The market value of listed investments at the year-end was £303m (2022: £337m). None of these were UK-only investments (2022: Nil).

At 31 December 2023 the Charity had nine foreign exchange forward contracts open in eight currencies, with a notional sterling liability of £2.3 million. These contracts were entered into to mitigate the currency risk of being a UK based charity while holding global equity and hedge fund assets in local currencies. These foreign exchange forward contracts have all been revalued at the applicable year-end rates and the resulting unrealised losses are included within the overall value of the investments above. The settlement date for the contracts ranged from 31 January 2024 to 30 June 2024.

The Charity's direct holdings in property were valued at 31 December by currently Registered RICS Valuers employed by the Charity's property advisers, and in accordance with the RICS Valuation – Professional Standards (January 2014) published by the Royal Institution of Chartered Surveyors.

The Charity has committed to fund up to a further £87m of capital calls from private equity funds. These calls will be funded from the sale of liquid assets across the investment portfolio, and from distributions from private equity funds.

Notes to the Accounts

10. DEBTORS

	2023 £'000	2022 £'000
Rents receivable	195	525
Other debtors	-	264
Prepayments	643	1
	838	790

11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Grants payable	46,654	42,849
Accruals	860	1,384
Rental income in advance	329	284
	47,843	44,537

Movements in rental income in advance were as follows:

Balance brought forward at 1 January 2023	284
Released to income in the year	(284)
Deferred in the year	329
Balance carried forward at 31 December 2023	329

12. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023 £'000	2022 £'000
Grants payable	26,281	33,075
Accruals and provisions	-	75
Fixed-term bond issuance	100,000	100,000
	126,281	133,150

The Charity received £100m from a bond issued on 10 March 2022 to Metropolitan Life Insurance Company and Metlife Insurance K.K. The Charity will pay annual interest of 2.75% and the balance is repayable in full in 2072.

Notes to the Accounts

13. MATURITY OF FINANCIAL LIABILITIES

	2023 £'000	2022 £'000
In one year or less, or on demand	47,843	44,537
In more than one year, but not more than two years	20,824	27,058
In more than two years, but not more than five years	5,457	6,092
In more than five years	100,000	100,000
	174,124	177,687

The movement in grants payable during the year was as follows:

	2023 £'000	2022 £'000
Grants payable at 1 January 2023	75,944	53,679
Grants awarded	47,012	65,231
Cancelled grants	(565)	(330)
Payments made	(49,456)	(42,636)
Market Value at 31 December 2023	72,935	75,944

14. RELATED PARTY TRANSACTIONS

Expenses of £5,843 (2022: £6,223) were reimbursed to four Trustees during the year to cover travel and other related costs incurred by them in fulfilment of their duties. The Trustees received no remuneration during the year or in the previous year.

Two grants totalling £224,300 were awarded to Citizens Advice South Somerset in 2022, for whom Piers Feilden, a Trustee of the Henry Smith Charity during the year, is a volunteer advisor. £53,250 of the grants were paid in 2023 and £139,250 was outstanding at year end.

The charity made use of the services of Carter Jonas of which Mark Granger (Trustee) was Chief Executive, advising on vacating the existing offices at 65 Leadenhall Street London EC3A 2AD, totalling £3,180 for the year. Cushman & Wakefield of which George Roberts (Trustee) is Chief Executive has assisting the charity with the new office search, totalling £9,000 for 2023.

15. OPERATING LEASE COMMITMENTS

At year-end the Charity held a lease for its premises expiring in March 2024. Rental payments amounted to £103,000 in 2023 and are contracted to be £47,750 per quarter until the end of the lease term.

At year-end the Charity held rental leases on its investment properties under which payments are receivable until lease expiry or term of notice as follows:

Year	Payments receivable in year £000
2024	281
2025	1,691
2026	566
2027 and subsequently	37,130

Notes to the Accounts

The total payments receivable under rental leases at 31 December 2023, until expiry or term of notice for all leases, was £39.7 million.

16. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2023 £'000	2022 £'000
Net movement in funds	36,954	(165,164)
Investment losses/(gains)	(85,861)	96,357
Investment income and deposit interest	(14,447)	(11,894)
Investment management and advice	13,011	12,462
Depreciation	41	50
Decrease/(Increase) in debtors	(48)	1
(Decrease)/Increase in creditors	(3,849)	21,962
Currency gains/(losses)	(2,180)	3,377
Net cash flow from operating activities	(56,379)	(42,849)

Notes to the Accounts

18. STATEMENT OF FINANCIAL ACTIVITIES FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2022 Total £'000	2021 Total £'000
INCOME						
Investment income (note 3)	-	140	-	11,754	11,894	11,000
Other income	-	-	-	2	2	-
Transfer to income (note 7)	67,087	-	960	(68,047)	-	-
TOTAL INCOME	<u>67,087</u>	<u>140</u>	<u>960</u>	<u>(56,291)</u>	<u>11,896</u>	<u>11,000</u>
EXPENDITURE (note 4)						
Expenditure on raising funds (investment costs)	-	2,210	-	10,433	12,643	11,095
Charitable activities						
Grant-making	67,103	-	957	-	68,060	42,102
TOTAL EXPENDITURE	<u>67,103</u>	<u>2,210</u>	<u>957</u>	<u>10,433</u>	<u>80,703</u>	<u>53,197</u>
(Losses)/gains on investment and currency assets (note 9)	-	(1,110)	-	(95,247)	(96,357)	226,918
NET MOVEMENT IN FUNDS	<u>(16)</u>	<u>(3,180)</u>	<u>3</u>	<u>(161,971)</u>	<u>(165,164)</u>	<u>184,721</u>
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2022	16	0	803	1,386,041	1,386,860	1,202,139
TOTAL FUNDS AT 31 DECEMBER 2022	<u>-</u>	<u>(3,180)</u>	<u>806</u>	<u>1,224,070</u>	<u>1,221,696</u>	<u>1,386,860</u>

Notes to the Accounts

19. BALANCE SHEET FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2022 Total £'000	2021 Total £'000
FIXED ASSETS						
Tangible Fixed Assets (note 8)	129	-	-	-	129	129
Investments (note 9)	62,886	96,820	-	1,224,274	1,383,980	1,419,649
Programme Related Investments (note 10)	-	-	-	-	-	8
Total Fixed Assets	63,015	96,820	-	1,224,274	1,384,109	1,419,786
CURRENT ASSETS						
Debtors (note 11)	265	-	-	525	790	846
Cash at bank	13,424	-	1,060	-	14,484	21,953
	13,689	-	1,060	525	15,274	22,799
CREDITORS						
Amounts falling due within one year (note 12)	(43,554)	-	(254)	(729)	(44,537)	(32,023)
NET CURRENT ASSETS/ (LIABILITIES)	(29,865)	-	806	(204)	(29,263)	(9,224)
TOTAL ASSETS LESS CURRENT LIABILITIES	33,150	96,820	806	1,224,070	1,354,846	1,410,562
CREDITORS						
Amounts falling due after one year (note 13)	(33,150)	(100,000)	-	-	(133,150)	(23,702)
NET ASSETS/(LIABILITIES)	-	(3,180)	806	1,224,070	1,221,696	1,386,860
FUNDS						
Main Endowment Fund	-	-	-	1,197,007	1,197,007	1,357,887
Estates Endowment Fund	-	-	-	27,063	27,063	28,154
Main Unrestricted Fund	-	-	-	-	-	16
Bond Issue Designated Fund	-	(3,180)	-	-	(3,180)	-
Estates Restricted Fund	-	-	806	-	806	803
TOTAL FUNDS AT 31 DECEMBER 2022	-	(3,180)	806	1,224,070	1,221,696	1,386,860

Accounts

THE HENRY SMITH CHARITY
Registered Charity 230102

**ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Contents

Chair's Review	2
Report of the Trustees	3
Report of the Auditors	20
Financial Statements	23

Chair's Review

Last year we announced plans to increase our grant making substantially, the Board having agreed that we should release up to an additional £100m from our endowment over 10 years. I am delighted, and very proud, that in 2022 we gave £65m in grants, compared with £40m in 2021 – which was itself a record. This spend included an additional £18m for some current holders of main grants in our Improving Lives and Strengthening Communities programmes. This was a response to the additional pressures which many charities are facing with rising costs and additional needs.

Although the main grants programmes account for the great majority of our grants' spend, we also have some strategic grants, identified proactively and supported by the evidence and learning from our responsive programmes; current grants include a Housing First programme, a joint venture with Impetus to tackle school exclusions and improve outcomes for young people at risk of exclusion from school, a grant to deliver supported Internship programmes for young people with learning disabilities and/or autism and a grant supporting advocacy services for people with learning disabilities.

Our smaller programmes include grants to local organisations in specific Parishes for the relief of poverty and to meet local needs, grants for trips for children who have disabilities or are disadvantaged, and grants for the descendants of Henry Smith's sister facing hardship. Some of these programmes derive directly from our Founder's will.

During the year we recruited more staff to bolster our capacity to assess increasing numbers of grants applications, and to manage those which are being paid. We also improved our capacity to learn from our grant giving and our grantees, although we want to take this further in the future with better analysis of our data, better feedback into our decision making, and more spreading of good practice. But our staff team of just under 40 is still relatively small. I am extremely grateful to them for their hard work, skill, and passion for the causes which we support.

The additional spend has been made possible by excellent investment performance over recent years. We have not been immune from recent downturns, which have affected property as well as global markets, but our portfolio is diversified and defensively positioned and our returns of -6% for the year were well ahead of benchmarks. We continue to monitor the portfolio closely given the volatile markets seen so far in 2023, working closely with Cambridge Associates (investment advisers), JLL (commercial property advisers) and Savills (agricultural property agents) to ensure our strategies are robust and implemented well and that the portfolio remains equipped to deliver long term returns.

Looking forward, our grants in 2023 will be below the level of 2022, but will be above the long-term trend which is set by the annual distribution of 4% of the endowment value. The uplift will be funded by £13m from the extra £100m being released. Our Chief Executive, Anand Shukla, who was appointed in 2022, is leading us through a strategic review which we aim to complete in 2023 and implement in 2024. As an independent funder in a world of growing complexity and need, it is vital that we maximise our impact.

Finally, I should like to thank Nick Acland, who left in May 2022, having served the charity with great dedication, first as trustee and then for nearly 10 years as the Director. I should also like to thank my fellow trustees for their continuing support and commitment. They all give generously of their time, skills and experience. We were delighted to welcome Jan Garrill, Peter Wilson and Bal Nahl to the Board in 2022. We also sadly said goodbye to James Hordern, Heider Ridha and Peter Wilson. We wish them well for the future.

Vivienne Dews, Chair

Report of the Trustees

Trustees

J Asquith	A Beeforth
B Colgrain	E Davies
V Dews	E Feisal
P Feilden	J Garrill (appointed March 2022)
M Granger	P Hackwood
J Hordern (retired May 2022)	B Kernighan*
B Nahl (appointed June 2022)	F Rahman
H Ridha (retired June 2022)	G Roberts
P Wilson (appointed September 2022, resigned June 2023)	

* - Ben Kernighan stepped down as a Trustee for a temporary leave of absence between July and November 2022

Registered Office

65 Leadenhall Street, London, EC3A 2AD

Website

www.henrysmithcharity.org.uk

Chief Executive

N Acland (until May 2022)

A Shukla (from May 2022)

Charity Registration

230102

Bankers: Bank of Scotland, 8 Lochside Avenue, Edinburgh, EH12 9DJ

Solicitors: SNR Denton LLP, One Fleet Place, London, EC4M 7WS
Veale Wasbrough Vizards LLP, 24 King William Street, London, EC4R 9AT

Auditor: Crowe U.K. LLP, 55 Ludgate Hill, London EC4M 7JW

Investment Custodian: Northern Trust, 50 Bank St, London, E14 5NT

Investment Advisers: Cambridge Associates, 80 Victoria Street, London, SW1E5JL

Property Advisers: JLL, 33 Cavendish Square, London, W1A 2NF
Savills UK Ltd, Stuart House, City Road, Peterborough, PE1 1QF

Report of the Trustees

Overview

Introduction

The Henry Smith Charity was established from a gift of land given during the lifetime of Henry Smith, and bequest upon his death in 1628. Since then, the charity has honoured the spirit of Henry Smith's will, working to combat disadvantage and meet the challenges and opportunities facing people in need throughout the UK. Nearly four centuries after we were first established, The Henry Smith Charity is one of the largest grant-making charities in the UK.

The Henry Smith Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. We achieve this by providing funding to reduce social and economic disadvantage. Our grantees are at the core of our mission and work.

The charity is registered in England and Wales and governed by a Scheme of the Charity Commissioners dated 5 October 2000 which came into effect on 1 January 2001.

Guiding Principles

The Charity has adopted a set of guiding principles which outline how we aim to work as an organisation. They guide our activity, serve as a reference for our ongoing work, and help to ensure that our actions are consistent with our aspirations. These principles underpin all our grant making activities.

- We aim to continue the legacy of philanthropy established by our founder Henry Smith;
- We focus on those social problems where there is an opportunity for our money to make a difference;
- We endeavour to maximise the effectiveness of our funding;
- We seek to be responsive to demand;
- We aim to maintain a rational, pragmatic approach; and
- We aim to be as helpful as possible to those we seek to assist.

Trustees

The Charity is required to have between ten and twenty Trustees. The Trustees are listed on page 1 of this report. New Trustees serve up to two terms of five years each, with provision in exceptional cases for a third term of up to five years. Trustees are appointed following a formal recruitment process, including an assessment of the Charity's needs and the mix of skills and experience on the Board. A structured induction programme is provided for all for new Trustees. Board effectiveness is maintained and ensured through regular reviews of both Board and individual Trustee performance, and Trustee training is provided as needed.

Report of the Trustees

Decision Making

The Board is responsible for all major policy decisions and for approving strategy and objectives. It meets four times a year. Main grants are approved by the Board, but significant decision-making authority is also delegated to the following committees and others:

- Decisions in respect of some of the Charity's smaller grant programmes are delegated to Trustee Committees or appointed staff, with recommendations and decisions being reported to the Board.
- The Governance and Nominations Committee is responsible for ensuring good governance of the charity.
- The Remuneration Committee is responsible for determining the Chief Executive's and Senior Managers' remuneration.
- The Investment Committee is responsible for investment policy, asset allocation, fund selection and performance monitoring.
- The Finance and General Purposes Committee is responsible for budgeting and financial management, organisational policies, staff remuneration, audit and risk management.

Day to day operational activities are delegated to the Chief Executive and members of the senior management team, comprising the Head of Finance & Resources, Head of Grants, Head of Grants Administration and Head of Learning & Evaluation, under a formal schedule of delegations.

Statement of Organisational Purpose

In 2019, guided by the recommendation in the Charity Governance Code, we developed a statement of organisational purpose: ***'To use our resources to help people and communities at a time of need and to bring about positive change.'*** This informs and guides our decision making across the organisation.

The Charity's objects and activities for the public benefit

The Charity is constituted as two funds, the Main Fund and the Estates Fund. The objects of the Main Fund of the Henry Smith Charity have been changed at various points over the years, while maintaining the spirit of Henry Smith's original bequest. The objects as currently agreed with the Charity Commission are as follows:

- For the relief of the poor kindred of Henry Smith;
- For hospitals, hospices and other forms of residential care or provision of health care for those who are sick or in need and for other institutions providing medical assistance for those in financial need;
- For the relief of poor, aged or sick persons and their spouses, widows, widowers and dependants;
- For the relief of poor, aged or sick members of the clergy and their spouses, widows, widowers and dependants;
- For the relief, rehabilitation and training of disabled persons including disabled ex-Servicemen and war widows;
- For any medical research;
- For the promotion of moral welfare or social service; and
- For the relief and rehabilitation of those persons who are or have been slaves or serfs and their dependants who are in need or distress or for preventing their seizure.

Report of the Trustees

The objects of the Estates Fund of the Henry Smith Charity are as follows:

- For the relief of poor, aged or infirm persons or advancing in life such persons in specified, historic parishes;
- For the benefit of hospitals or convalescent homes in the specified, historic parishes;
- For the relief of poor, aged or infirm or advancing in life such persons elsewhere in England and Wales; and
- For the benefit of hospitals or convalescent homes elsewhere in England and Wales.

The Charity's objects provide the framework within which more detailed funding priorities are set; these priorities will change from time to time as needs change and the funding landscape shifts. ***Current priorities for the Charity's grant programmes are set out on the Charity's website.***

In summary, the Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. This is achieved by funding organisations that work with people to reduce social and economic disadvantage.

Public Benefit

Trustees have considered the Charity Commission guidance on public benefit when planning future activities, setting grant-making policies and in making grants. The positive social impact anticipated from each grant is considered before a grant is awarded and monitored. This enables Trustees to be confident that the Charity has, through its wide range of grantees, achieved significant public benefit for a number of vulnerable groups across the UK. A diverse range of public benefit is provided by the hundreds of charities we support each year, as they work to alleviate need and distress, and help people lead more fulfilling lives. A summary of our grant making in 2022 is set out below illustrating the work we have supported.

Diversity, Equity and Inclusion

As a charity working to reduce social and economic disadvantage, the values of Diversity, Equity and Inclusion (DEI) are central to the ethos of The Henry Smith Charity. We believe that these values should be reflected throughout our whole organisation and everything we do. This includes working to address social inequity in all its forms including racial injustice and discrimination.

We recognise that this will not be achieved without self-awareness and work on our part. We are therefore committed to measuring, monitoring and publishing our progress in these areas.

In July 2022, we began collecting DEI data from all Main Grant applicants using the DEI Data standard, an independent standard developed in order to better understand funding flows to groups or communities experiencing structural inequities. This will enable us to better understand our applicants and grant holders and help us make better informed decisions about our grant making.

We also plan to contribute this learning to the wider charitable sector through the 360Giving platform, thereby supporting our transparency and accountability regarding the reach and impacts of our funding.

Internally we have established a DEI working group, which has engaged an expert consultant to work with us on a project to define DEI terms as they relate to our mission and to develop a shared understanding of DEI terms across the organisation, before considering how they should be applied across our work. We are aligning this with our wider strategy work.

Report of the Trustees

Grant Making Programmes

We awarded grants through several different programmes during the year.

Programme	Overview
Main Grants	Grants for organisations that work to reduce social and economic disadvantage. Main grants are divided into two separate programmes: Improving Lives and Strengthening Communities. Each of these programmes has a separate set of priorities and guidelines.
Strategic Grants	Grants identified proactively, supported by the evidence and learning from our responsive programmes. These grants are not restricted to proven work or direct service delivery and may involve significant elements of innovation, awareness raising and/or systemic change.
Covid-19 Grants	Grants for organisations enabling them to deliver established vital services with those most affected by Covid-19 and/or to deliver new/different services to respond to challenges related to the current crisis.
County Grants	Grants for organisations working with disadvantaged people and communities in English counties with a historical connection to the Charity. The programme is winding down (see page 12).
Holiday Grants	Grants for recreational trips and holidays for groups of children aged 13 and under in the UK who are disabled or disadvantaged.
Parishes Grants	Grants for local organisations, mainly based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in specified parishes but widened in 2020 to include parishes located in some of the most deprived areas in the UK as highlighted by the indices of deprivation.
Clergy and Christian Projects	Grants to support projects that explicitly promote the Christian faith in the UK.
Kindred Grants	Grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Grants are awarded on a means-tested basis.

Grants totalling £64.9million were awarded as follows:

Programme	Total Funding Committed
Main Grants	£40,686,000
Strategic Grants	£2,660,000
Covid-19 Grants	£17,899,000
County Grants	£562,000
Holiday Grants	£263,000
Parishes Grants	£957,000
Clergy and Christian projects	£1,249,000
Kindred Grants	£954,000
Less: cancelled/refunded grants	(£330,000)
Total Grant Awards	£64,901,000

A full list of the grants we made to organisations over the last year along with the detailed criteria for each grant programme is available on our website.

Report of the Trustees

Achievements and Performance – Main Grants

£40,686,000

Our Main Grants Strategy comprises two programmes: Improving Lives and Strengthening Communities. Each programme has its own priorities, funding guidelines, criteria and application information. In 2022, we made 294 grants – 232 Improving Lives grants and 62 Strengthening Communities grants. For the 2022 grant rounds we received 1,158 applications in total, a 20% increase from 2021.

	Improving Lives	Strengthening Communities	Total
Total number of applications	957	201	1,158
Total number of grants	232	62	294
Success rate	24%	31%	25%

Almost all grants were for three years and the average 3-year total grant award was £139,000, a 2% increase on the previous year. The average Improving Lives grant was £142,000. The average Strengthening Communities grant was £125,000.

Continuation grants (repeat grants made to applicants who we currently fund) accounted for 40% of all Main Grants, consistent with previous years. Continuation grant applicants have significantly higher success rates than non-continuation grant applicants.

Improving Lives

Through the Improving Lives grant programme, we support charitable organisations across the UK to help people for whom other sources of support have failed, been inappropriate or are simply not available. This is our largest funding programme, through which we distribute most of our funds. In 2022, we made **232 Improving Lives grants** in response to **957 applications**.

The Improving Lives programme has six funding priorities, which describe the work we fund and how we want to bring about change for the most disadvantaged people in the greatest need. During the application process grantees must demonstrate how the outcomes they deliver meet one or more of these priority areas:

- **Help at a Critical Moment** - Helping people to rebuild their lives following a crisis, critical moment, trauma or abuse
- **Positive Choices** - Helping people, whose actions or behaviours have led to negative consequences for themselves and others, to make positive choices
- **Accommodation / Housing Support** - Enabling people to work towards or maintain accommodation
- **Employment and Training** - Supporting people to move towards or gain employment
- **Financial Inclusion, Rights & Entitlements** - Supporting people to overcome their financial problems and ensure they can claim their rights and entitlements
- **Support Networks & Family** - Working with people to develop improved support networks and family relationships

Help at a Critical Moment and Support networks and Family were the most selected cause areas, chosen by 61% and 50% of grant holders respectively, and this has been consistent over several years.

Grants can be made for an organisation's running costs (including salaries and overheads) or the costs of a specific project (including staffing costs). In 2022 we awarded 159 grants towards project costs and 135 grants towards organisational running costs.

Report of the Trustees

Strengthening Communities

The Strengthening Communities programme supports small grassroots organisations working in the most deprived areas of the UK (measured by national indices of multiple deprivation). Smaller organisations rooted in their communities play a vital role in supporting people to make positive changes, and we support these organisations to create lasting solutions to both the individuals and the community.

In 2022, we made grants to 62 organisations in response to 201 applications, with a sizeable increase in both applicant numbers and grants. In 2021 we promoted our Strengthening Communities Programme in areas of the UK where the levels of applications and grants awarded were lower than we would expect. We also updated the criteria for the programme to fund organisations supporting organisations physically located within, or immediately next to the most deprived areas, with the aim of reducing the number of ineligible applications. These two measures resulted in an increase in applications and grants in 2022.

Cause Areas Supported

Cause area	% of Grants addressing this cause area
Black and Minority Ethnic Communities	7%
Carers	2%
Children and Young people	24%
Disability	5%
Disadvantaged Communities	35%
Domestic and Sexual Abuse	10%
Family Services	13%
Homelessness	4%
Learning Disabilities	5%
LGBTQ	1%
Mental Health and Wellbeing	10%
Older People	9%
Prisoners and Ex-Offenders	5%
Refugees and Asylum Seekers	8%
Sex Work, Trafficking and Modern Slavery	2%
Substance Misuse and Dependency	1%

We are a broad, responsive grant maker, supporting people with a range of different, and sometimes intersecting needs. The table highlights the groups of people and needs supported by applicants and grant holders, who frequently support more than one group or need. 2022 was broadly consistent with previous years – we funded a lot of organisations supporting children and young people, family services, mental health and wellbeing, disadvantaged communities and people affected by abuse. We made more grants supporting prisoners and ex-offenders than in 2021 – reflecting the easing of pandemic restrictions in prisons – but a lower proportion than in some years supporting people with disabilities, older people or people from black and minority ethnic communities.

Report of the Trustees

Geographical Distribution

As a UK-wide responsive funder running an open grant programme, we seek to make grants across the UK. The table below shows the number of grants made and applications received in the year split by geographical area.

We continue to find that much of the work meeting the greatest need is within the most deprived, mainly urban areas of the UK. We continue to review the geographical spread of our grant making to ensure that we are receiving applications from all areas of the UK and that our grant making is targeted to need; this includes work to promote the Charity in areas with relatively fewer applications.

Geographical area	Grants	Applications
East Midlands	12	50
East of England	18	72
London	59	189
National	10	80
North East	18	54
North West	36	127
Northern Ireland	8	27
Scotland	28	119
South East	20	116
South West	26	102
Wales	14	58
West Midlands	22	85
Yorkshire and the Humber	23	79
Total	294	1,158

Grant Assessment

We assess the quality of applications against a wide variety of different criteria to ensure that we are achieving our charitable objectives and that we are making robust, transparent and consistent funding decisions.

Assessment of the organisations is divided into the following headings:

- Vision, mission and strategy
- Integration into the community
- Financial Eligibility
- Budgeting and fundraising
- Governance

Assessment of the service(s) provided is divided up into the following headings:

- Need for the service
- Description of the service
- Is it clear how the service is making a difference?
- Service impact
- How 'significant' is the difference?
- Monitoring & evaluation quality
- Ability to deliver
- Is the work delivered as intended?

Once an application has passed the initial paper-based assessment, an assessment visit will take place. This enables us to assess the need for the project, ensure the organisation's management and governance are fit for purpose, confirm that the project is sustainable, and the outcomes are both realistic and achievable.

Report of the Trustees

Grant Holders' Progress Reports

Once a grant has been approved, grant holders report back to us on their progress annually for the duration of their grant. They report on the numbers of people they helped, the activities delivered, and outcomes for beneficiaries; reporting may also include case studies. Grant holders also report on organisational developments, external changes that have affected their work, financial performance and the outlook for the year ahead.

These reports provide valuable information on issues our grant-holders are facing, and on progress of work supported by our grants.

Learning and Evaluation

In line with the wider voluntary sector we need to understand the impact of our work. We require those applying to us to demonstrate the outcomes they are achieving and believe we should apply the same rigour to ourselves. This is a challenge, as our grants cover a wide range of services and groups to relieve poverty, deprivation and disadvantage.

We monitor the outcomes of all grants through our progress reporting process. We examine the specific outcomes that organisations have achieved in terms of the number of people they work with and the benefit they provide. During the COVID-19 pandemic we wanted to be as helpful as possible and allow organisations to focus on responding to the needs they are seeing on the ground. While the outcomes of some grants changed, our monitoring framework allowed us to continue to collect information about the outcomes achieved with each grant, learn about the organisation and the operating environment, and identify lessons learned.

We monitor our grantmaking throughout the year but also carry out a detailed annual review to confirm our understanding of who and what we are funding. We analyse applications and grants made and use the data to inform our policy-making and future planning. This continues to be particularly important for understanding the changing environment within which our grant holders work.

We also gather insight and learning from the wider sector to inform our grantmaking. We carry out a series of internal reviews looking at the context, needs and issues in each of the major sectors we fund. This work gathers learning to inform our Improving Lives and Strengthening Communities grants assessments and feeds into longer term policy and strategy development. We also identify opportunities for strategic funding where our funding could have a magnified impact. Over the last year we continued to develop our internal learning log for collecting learning and using it systematically to inform our decision making.

Achievements and Performance – Other Programmes

Strategic Grants

£2,660,000

While most of our funding is distributed through our Improving Lives and Strengthening Communities programmes, we also proactively identify and fund Strategic Grants, supported by learning from these responsive programmes.

All Strategic Grants broadly align with the aims of the Improving Lives and Strengthening Communities programmes, but are not restricted to proven work or direct service delivery. They may involve significant elements of innovation, awareness raising and/or systemic change. We expect Strategic Grants to have a legacy of change which continues beyond our involvement.

Report of the Trustees

We currently have four active strategic grants.

1. In 2020 we launched our Housing First programme through which we have made £2m of grants to support small/ medium sized organisations delivering Housing First services for those who have experienced homelessness with multiple and complex needs.
2. Together with youth charity Impetus, in 2020 we contributed £2m to the Engage Fund a new programme to tackle the rising number of school exclusions and improve outcomes for young people from disadvantaged backgrounds who are at risk of exclusion from school, or in alternative provision. This work is providing funding and support to five organisations pioneering high-quality interventions to help more young people who are struggling to engage in mainstream education, by helping them develop essential life skills, reintegrate into school when appropriate and achieve the qualifications they need.
3. In 2021 we made a strategic grant of £629,000 to DFN Project SEARCH to deliver more than 120 Supported Internship programmes for young people with learning disabilities and/or autism.
4. This year we made awards totalling £2,660,000 to organisations supporting Advocacy services for people with Learning Disabilities.

Covid-19 Grants

£17,899,000

The impact of the Covid-19 pandemic continued to have far-reaching implications for our grant holders and the people they work to support. We continued to support grant holders by being flexible with our funding, giving grant holders greater scope to address funding shortfalls, or meet changing needs. We provided almost £18m of one-off additional funding to many of our current grant holders in 2022, to enable them to help meet additional needs and support communities most impacted by the pandemic.

County Grants

£562,000

Historically, the County Grants programme has supported the work of small organisations and charities in eight counties with which the Henry Smith Charity has a historical connection. A decision was made in 2021 to phase out the programme, to focus funding more directly into areas of the greatest need, with programmes in specific Counties closing on the retirement of the Trustees with responsibility for these areas. The West Sussex fund closed in 2022. and the other funds will close across 2023 and 2024.

Grants support work with people experiencing social and/or economic disadvantage (people with disabilities, for example) and work to address problems in areas of high deprivation. Grants range from £2,000 to £20,000. Grant recommendations are made by County Trustees, using their local knowledge to assess the merit of applications, and approved at the quarterly Board meetings.

In 2022, 44 grants were awarded across three counties.

County	Grant Number	Grant Amount
Kent	28	£300,000
Leicestershire	7	£122,000
West Sussex	9	£140,000

Grants were used for organisation running costs, salaries, project costs, or one-off small capital expenditure such as building refurbishment or equipment.

Report of the Trustees

Holiday Grants

£263,000

The Holiday Grants programme provides one-off grants for short holidays and recreational trips for groups of children aged 13 and under in the UK who are disabled or disadvantaged. During the year we made 133 grants.

Grants ranged between £500 and £2,500 and were made to schools, youth groups, not for profit organisations and charities. It is important to us that no child be excluded on financial grounds from a trip we are supporting, and all grants are awarded on this condition. In line with our commitment to be flexible and supportive to our grant holders, we have agreed to changes to dates and duration of trips as necessary and our guidelines provide flexibility for grant holders and applicants.

Clergy and Christian Projects

£1,249,000

The Clergy and Christian Projects grants programme has several elements and in 2022 grants were made as follows:

Programme	Grant Amount
Grants to support individual clergy, managed through Church of England dioceses	£629,000
Grants to Christian Projects that explicitly promote the Christian faith in the UK	£620,000

We value projects that set out to nurture and grow people's journey in Christian faith and grow churches, and only support work that comes from a Church of England context, or is fully ecumenical. All applications must explicitly address one or more of the following priorities:

1. Meeting the spiritual needs of older people, including those with dementia
2. Reaching out to people unconnected with churches, especially young people and young families, by nurturing their spiritual interest and well-being
3. Projects which support and care for Anglican clergy at times of acute need.

Kindred

£954,000

In line with Henry Smith's will, which included a legacy to help members of his family in financial need we award grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Our Kindred grant making goes directly to address financial need among the descendants of Henry Smith. Grants are awarded on a means-tested basis. A free confidential Helpline is also provided as an alternative means of assistance. More than 2,500 kindred are registered with us and over 200 people received financial support in 2022. We were pleased to award additional grants for Kindred facing financial hardship as a result of the rising cost of living.

Parishes

£957,000

The parish scheme is a separate fund within the endowment, representing just over 2% of our assets. Under the scheme we distribute annual grants of between £2,000 and £20,000 to over 150 entities, based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in particular parishes. These entities then use the money for the relief of poverty within their designated parishes, and report annually how the money was used. We also awarded grants in a modest number of parishes outside the scope of the original scheme, in areas with high levels of deprivation, and continued to offer the opportunity for parishes to apply for supplementary grants to meet additional needs in their area.

The entities include local ecclesiastical parishes, specially established local Henry Smith Charities and larger grant making organisations such as Trust for London and Cripplegate Foundation. In 2022 we made approximately 200 grants intended to support 15,000 beneficiaries.

Report of the Trustees

Plans for Future Development

The Charity is carrying out an organisation-wide strategic review in 2023, with the active participation of staff, Trustees, Volunteer Visitors and other key stake-holders. Faced with a world of growing need and complexity, we continue to seek to ensure that our work is relevant and that we maximise the impact of our funding and resources. We plan to announce initial outcomes of our review later in 2023, with full detail and implementation following in 2024.

We will continue to develop and embed a shared understanding of DEI across the organisation, led by our Chief Executive with support from an external, expert consultancy. This work will be closely aligned this with our wider strategic review.

Alongside this, our ongoing grant-making will continue with a total budget for 2023 of over £55m, and a Main Grants budget at a record £42m. The Trustees agreed in 2021 to distribute an additional up to £100m over ten years, in light of strong historic investment performance; having distributed £26m so far, we plan to release a further £13m in 2023. In 2024 we will review the affordability of these additional distributions and consider how best to use remaining funds.

Finally, we have begun the work of building a Communications resource within the Charity, and plan to carry out an active review of current activities and set a Communications Policy and plan of action in place by the end of 2023.

Financial Review

Investments

The Henry Smith Charity is a permanent endowment, with assets held in perpetuity. These assets are the primary funding source for the Charity, so the performance of investments over the long term is vitally important to the sustainability of the Charity, and the impact it can make through the grants it awards.

The Charity operates a Total Return approach to investment, with power to spend both income and capital, provided the core endowment of the fund is maintained. The Charity has power under its Scheme to invest in stocks, shares, funds, securities and other property. The Trustees have appointed professional investment advisors, who advise on investment policy and strategy, asset allocation, manager selection and performance.

Investment Policy

The investment portfolio has the primary long-term objective of maximising sustainable spending from the portfolio in order to support grant-making. The secondary long-term objective is to maintain the real value of the fund in perpetuity after spending. The Charity currently aims to spend 4% of the portfolio in grant-making over the long-term and the portfolio has a goal of returning an annual 4% real return over a rolling 5 year period.

It is recognised that in order to achieve the primary objective of sustaining a 4% spending rate over the long term, there will be periods of short-term volatility of investment returns. The investment strategy seeks to build a diversified portfolio that minimises the impact of short-term losses. Given the portfolio's strategic asset allocation and investment strategy it is understood that potential short-term losses are possible.

Report of the Trustees

The Charity also recognises that there are several other forms of risk beyond short term volatility that need to be managed as part of the ongoing oversight of the portfolio. These risks include the prudent management of liquidity, the level of exposure to non-Sterling denominated assets, the level of overall leverage in the portfolio and risks associated with investing alongside investors with different goals.

ESG and Carbon

The Charity adopted the following policy in relation to Environmental, Social and Governance (ESG) issues, and has communicated the policy to all fund managers with whom it invests.

- We take ESG factors into account when we make new investments with fund managers and when assessing existing investments with managers.
- We review our direct equity investments held via tracker funds to assess which companies we may wish to exclude/engage with.
- We apply a materiality lens to any observations and judgements that we make.

The Trustees have excluded from our directly held investment portfolio companies who have significant involvement (greater than 10% of turnover) in the production or retailing of alcohol or tobacco, gambling or predatory lending. Companies with any involvement in the production or sale of indiscriminate weaponry are also excluded.

During the year we carried out an ESG analysis of the public equity and hedge fund investments held within our investment portfolio. We were pleased to note that the managers of listed equity portfolios have all implemented ESG policies, which are integrated into their investment approach and lead to engagement with portfolio companies regarding ESG issues. Almost all the managers of hedge fund portfolios have ESG policies in place

We also carried out a Carbon analysis of the public equity portfolios. The portfolio exposure to fossil fuel producers is less than 50% of the exposure of the benchmark indices, and the weighted average carbon intensity for all the companies held in the public equity portfolios is 60% of the carbon intensity of the benchmark indices. We will continue to review our portfolio exposures and consider our approach to carbon on a regular basis.

Asset Allocation and Strategy

Between 60% and 65% of the investment portfolio was allocated to growth assets during the year, to provide longer term returns, with the remaining allocation invested in diversifying assets. Further details are given in note 9 to the accounts.

Total Return Approach to Investing

The Charity operates a Total Return approach to investments, with freedom to invest the entire endowment with the aim of maximising total returns regardless of whether those returns accrue by way of income or capital growth. Over the long term the investment portfolio has a target annualised return of CPI +4%; over shorter periods we assess performance against benchmarks for the individual asset classes in which we invest.

Investment Returns for 2022

Total investment losses (investment income less capital losses and fees), totalled just under £100m, which were modest compared to losses in global equity markets. Returns for the portfolio for the year were -6.0% (2021: 20.1%) and over the last five years the portfolio has exceeded its target return of CPI +4% by 0.4% per annum.

Investment Costs

The Charity aims to maintain transparency over the total fees paid on investments and regularly reviews manager fees to ensure they are matched by performance. All investment performance is reported net of fees to enable us to monitor this closely and take corrective action where necessary.

Report of the Trustees

We spent £12.6m (2021: £11.1m) on our investment fees and costs, including bond interest. Our investments in alternative assets such as hedge funds are more expensive than traditional long-only investments, but over time we have obtained excellent returns with lower volatility, which have more than compensated for the additional fee costs.

Fee costs comprise ongoing fees generally set as a fixed percentage of the investment value and additional fees payable only if performance thresholds and hurdles are exceeded. The performance-related fees for our alternative investment assets amounted to just over £1.0m of the total expenditure.

Issuance of long-term loan notes

In early 2022 the Charity took the opportunity of exceptionally low long-term borrowing costs to issue £100m in 50-year loan notes, with a fixed interest rate of 2.75% and full repayment of capital due in 2072.

This was carried out based on detailed analysis from the Charity's investment advisor, showing that investment of the £100m proceeds across the investment portfolio for the full 50 years would enable the Charity both to increase its annual distributions and see an increased portfolio value in 50 years' time. The Trustees were satisfied that the risks were demonstrably very low, and the expected benefit, while taking the long-term to fully accrue, will prove to be material.

“Core Endowment” (endowment funds)

Under the Total Return approach, the Charity must ensure that the value of total endowment funds does not fall below the Core Endowment. The Core Endowment is fixed at £276m, representing the value of the endowment as at 31 December 1991. Endowment funds in excess of the Core Endowment are known as the Unapplied Total Return; these are the accumulated returns from which the Charity may make funds available for grant-making. The Trustees also monitor the value of endowment funds compared to an inflation-adjusted measure of the Core Endowment, recognising the need to maintain the Charity's spending power in real terms.

The Charity's current policy is to transfer each year from the endowment funds, into the Main Unrestricted and Estates Restricted funds, 4.0% of the total value of the endowment as averaged over the previous 5 years (referred to as the “Distribution Rate”); these funds are then available for grant making and operations. These transfers are funded over time by the total investment returns achieved by the Charity's endowment. The Trustees review the Distribution Rate from time to time and adjust as necessary to take account of prevailing rates of investment return.

In addition, the Trustees agreed in 2021 to distribute an additional up to £100m over ten years, following strong historic investment performance. This additional amount has been assessed, with advice from Cambridge Associates, as affordable while preserving the long-term funding capacity of the Endowment.

The movements in Unapplied Total Return for 2022 are shown in note 7 to the accounts. The Charity transferred £42.7 million into the Main Unrestricted and Estates Restricted funds for its annual distribution, calculated at a 4.0% Distribution Rate, and an additional £25.3m to accommodate agreed additional grant spending. For 2023 the Trustees have agreed a transfer of £45.4 million plus an extra £13.2 million for additional grant spending. At 31 December 2022, the endowment funds of £1.2bn were well in excess of the Core Endowment.

Report of the Trustees

Reserves (grant-making funds)

In 2021, the Trustees agreed to spend down available unrestricted funds to sustain grant-making and to provide additional resources to assist charities and their beneficiaries impacted by the Covid-19 crisis. This approach will continue for the foreseeable future, with the intention of unrestricted funds being fully spent each year.

The Main Unrestricted fund was fully spent in 2021 and the Charity withdrew additional funds from the Endowment as required in 2022, maintaining a nil fund balance.

The Estates Restricted fund is used solely for grants under the Parish programme, with reserves of £0.8 million at the year-end.

Risk Management

The Trustees formally review risk on an annual basis as well as when issues arise, and during the year adopted a new risk management framework to enable more effective risk management. The Trustees also meet the auditors during the year to discuss recommendations arising from their annual audit, which inform our approach.

One of the key risks identified is that of substantial investment losses, which would reduce the amount of funding available over the longer-term and hence the Charity's impact; to address this the Charity has a diversified investment portfolio and actively manages a range of risks, including performance, liquidity, currency and other risks, to reduce the potential for long term losses. The investment portfolio continues to be resilient and achieve our performance objectives.

The Charity actively monitors a range of current risks, including the ongoing impact of the Covid-19 pandemic and the cost-of-living crisis, and the events in Ukraine. Risks include business continuity in the event of disaster or other business interruption, and a policy and action plan are in place to manage this risk.

The Charity continues to monitor the performance of grants and the level of applications, given the turbulent environment which charities continue to face. The level of grant applications remains strong but manageable. The Charity is currently undergoing a Strategic Review, aiming to ensure that its grant-making approach remains relevant and is designed to maximise impact.

Safeguarding is a key risk area, and a safeguarding policy and training plan are in place.

Data Protection and the GDPR legislation remain important priorities. Key areas have been addressed, and work is ongoing to ensure compliance as the Charity's activities develop over time.

The Charity continues to monitor staff wellbeing, aiming to provide a supportive and safe working environment, along with specific support and tools where this can benefit individuals.

The Trustees have reviewed areas of potential risk for the Charity and concluded that there are sufficient controls in place across the organisation.

Report of the Trustees

Preparation of the Accounts on a Going Concern Basis

The Charity's normal practice is to distribute no more than 4% of assets annually calculated on a five-year rolling average basis. On occasion, the Charity may make additional distributions, in which case an assessment of affordability and long-term sustainability is carried out, with advice from its investment advisor.

Total assets at 31 December 2022 were well in excess of the £276 million "core endowment" which must be preserved. The Trustees continue to consider the Charity to be a going concern and to prepare the accounts on this basis.

Remuneration of Key Management Personnel and Staffing

The Trustees consider the Board of the Charity and the Senior Management Team (the Chief Executive, Head of Grants, Head of Grants Administration, Head of Learning and Evaluation, and Head of Finance & Resources) as comprising the key management personnel of the charity, in charge of directing and controlling the charity and running and operating the charity on a day-to-day basis.

No Trustees are remunerated by the Charity. Remuneration for the Senior Management Team is reviewed annually, with salary increases determined in light of inflation rates and affordability. Salary increases and remuneration levels are also reviewed against other grant-making charities of a similar size and activity, to ensure remuneration is fair and not out of line with that generally paid for similar roles.

Average staff numbers increased to 38 in 2022 (2021: 32), as we continued to invest in grant-making capabilities to support our main grants strategy and the development and growth of other programmes. More details are given in note 6 to the accounts.

Conflicts of Interest

From time to time the Charity makes grants to organisations with whom one or more of its Trustees is connected, typically as a Trustee or member of staff. The Charity takes steps to ensure that decisions on these grants are made at arms-length, and in accordance with its policies for dealing with potential conflicts of interest

Fundraising

The Charity has no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report 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 and Wales 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 Charity and of the incoming resources and application of resources of the Charity for that period.

In preparing these financial statements, the Trustees are 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

Report of the Trustees

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are 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.

Disclosure of information to auditors

In so far as the Trustees are aware:

- There is no relevant audit information of which the Charity's auditors are unaware.
- The Trustees have taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information

Approved by the Trustees on 14 June 2023



Vivienne Dews
Chair

Independent Auditor's Report to the Trustees of The Henry Smith Charity

Opinion

We have audited the financial statements of The Henry Smith Charity ('the Charity') for the year ended 31 December 2022 which comprise the Statement of Financial Activities, Charity Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2022 and of the Charity's income and receipt of endowments and expenditure, 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.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Trustees of The Henry Smith Charity

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustee's report; or
- sufficient and proper accounting records have not been kept by the parent charity; 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.

Responsibilities of the trustees

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

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

Independent Auditor's Report to the Trustees of The Henry Smith Charity

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Charity for fraud.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance and General Purposes Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the Charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor

London

20 July 2023

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Statement of Financial Activities for the Year Ended 31 December 2022

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2022 Total £'000	2021 Total £'000
INCOME						
Investment income (note 3)	-	140	-	11,754	11,894	11,000
Other income	-	-	-	2	2	-
Transfer to income (note 7)	67,087	-	960	(68,047)	-	-
TOTAL INCOME	<u>67,087</u>	<u>140</u>	<u>960</u>	<u>(56,291)</u>	<u>11,896</u>	<u>11,000</u>
EXPENDITURE (note 4)						
Expenditure on raising funds (investment costs)	-	2,210	-	10,433	12,643	11,095
Charitable activities						
Grant-making	67,103	-	957	-	68,060	42,102
TOTAL EXPENDITURE	<u>67,103</u>	<u>2,210</u>	<u>957</u>	<u>10,433</u>	<u>80,703</u>	<u>53,197</u>
(Losses)/gains on investment and currency assets (note 9)	-	(1,110)	-	(95,247)	(96,357)	226,918
NET MOVEMENT IN FUNDS	<u>(16)</u>	<u>(3,180)</u>	<u>3</u>	<u>(161,971)</u>	<u>(165,164)</u>	<u>184,721</u>
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2022	16	0	803	1,386,041	1,386,860	1,202,139
TOTAL FUNDS AT 31 DECEMBER 2022	<u>-</u>	<u>(3,180)</u>	<u>806</u>	<u>1,224,070</u>	<u>1,221,696</u>	<u>1,386,860</u>

The notes on pages 26 to 37 form part of these accounts.

All income and expenditure derive from continuing activities. The statement of financial activities includes all gains and losses recognised during the year and there is no difference between the results for the year stated above and their historical cost equivalents.

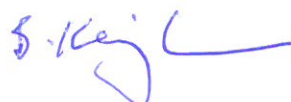
Balance Sheet as at 31 December 2022

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2022 Total £'000	2021 Total £'000
FIXED ASSETS						
Tangible Fixed Assets (note 8)	129	-	-	-	129	129
Investments (note 9)	62,886	96,820	-	1,224,274	1,383,980	1,419,649
Programme Related Investments (note 10)	-	-	-	-	-	8
Total Fixed Assets	<u>63,015</u>	<u>96,820</u>	<u>-</u>	<u>1,224,274</u>	<u>1,384,109</u>	<u>1,419,786</u>
CURRENT ASSETS						
Debtors (note 11)	265	-	-	525	790	846
Cash at bank	13,424	-	1,060	-	14,484	21,953
	<u>13,689</u>	<u>-</u>	<u>1,060</u>	<u>525</u>	<u>15,274</u>	<u>22,799</u>
CREDITORS						
Amounts falling due within one year (note 12)	(43,554)	-	(254)	(729)	(44,537)	(32,023)
NET CURRENT ASSETS/ (LIABILITIES)	<u>(29,865)</u>	<u>-</u>	<u>806</u>	<u>(204)</u>	<u>(29,263)</u>	<u>(9,224)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	33,150	96,820	806	1,224,070	1,354,846	1,410,562
CREDITORS						
Amounts falling due after one year (note 13)	(33,150)	(100,000)	-	-	(133,150)	(23,702)
NET ASSETS/(LIABILITIES)	<u>-</u>	<u>(3,180)</u>	<u>806</u>	<u>1,224,070</u>	<u>1,221,696</u>	<u>1,386,860</u>
FUNDS						
Main Endowment Fund	-	-	-	1,197,007	1,197,007	1,357,887
Estates Endowment Fund	-	-	-	27,063	27,063	28,154
Main Unrestricted Fund	-	-	-	-	-	16
Bond Issue Designated Fund	-	(3,180)	-	-	(3,180)	-
Estates Restricted Fund	-	-	806	-	806	803
TOTAL FUNDS AT 31 DECEMBER 2022	<u>-</u>	<u>(3,180)</u>	<u>806</u>	<u>1,224,070</u>	<u>1,221,696</u>	<u>1,386,860</u>

Approved by the Trustees on 14 June 2023 and signed on their behalf by:



Vivienne Dews
Chair



Ben Kernighan
Vice Chair

The notes on pages 26 to 37 form part of these accounts.

Cashflow Statement for the Year Ended 31 December 2022

	2022 £'000	2021 £'000
Net cash used in operating activities (note 16)	(42,849)	(36,241)
Cash flows from investing activities		
Investment Income received	11,949	11,619
Payments for Investment Management and advice	(11,092)	(10,953)
Purchase of tangible fixed assets	(50)	(48)
Cash withdrawn from fixed asset investments to fund operating costs	34,565	50,881
Repayment of social investments	8	8
Net cash provided by investing activities	35,380	51,507
Change in cash and cash equivalents in the year	(7,469)	15,266
Cash and cash equivalents at 1 January 2022	21,953	6,687
Cash and cash equivalents at 31 December 2022	14,484	21,953

Reconciliation of net debt

	Cash at bank £'000	Long-Term Bond £'000	Total Net Debt £'000
Balance at 1 January 2022	21,953	(7,469)	14,484
Cashflows	-	(100,000)	(100,000)
Balance at 31 December 2022	21,953	(107,469)	85,516

—

The notes on pages 26 to 37 form part of these accounts.

Notes to the Accounts

1. CHARITY INFORMATION

The Charity (registered no. 230102) is a public benefit entity established in the UK as a Trust governed by a Scheme of the Charity Commissioners dated 5 October 2000. It operates from its principal place of business, 65 Leadenhall Street, London EC3A 2AD.

2. ACCOUNTING POLICIES

Basis of Preparation

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain fixed asset investments, and in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Charities Act 2011.

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 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) issued on 16 July 2014 rather than the previous Statement of Recommended Practice: Accounting and Reporting by Charities effective from 1 April 2005 which has since been withdrawn.

Trustees have considered the impact of the external environment on the Charity's activities and resources. The impacts on investment performance and grant making activities have been reviewed and included in our risk management framework. These factors have been considered alongside relevant forecasts and budgets and trustees are not aware of any material uncertainties surrounding the Charity's ability to continue as a going concern.

Funds

The Charity's Funds include two permanent endowments. The Main Endowment Fund may be used to support all of the Charity's objects. The Estates Endowment Fund may only be used to support charitable activities in specified, historic parishes in England. The assets of both funds are pooled and managed as a single investment portfolio; investment returns are allocated in proportion to the Funds' asset values. The Estates Restricted Fund reflects funds made available from the Estates Endowment Fund for grant-making which are not yet spent. The Loan Notes Designated Fund represents the current valuation of £100m raised through issuing loan notes in 2022 and invested in the Charity's investment portfolio, less the £100m creditor balance repayable in 2072; the Fund balance was negative at the end of 2022, but over the 50-year term of the Loans Notes the investment returns from the £100m investment are expected to exceed the interest payable by a substantial margin and provide a material uplift to the Charity's wealth.

The Charity also holds funds to cover the costs of managing legacy activities related to the Equitable Charitable Trust. Once these are completed any remaining funds will be made available for grant-making. At 31 December 2022 £170k was held within endowment funds for this purpose.

Income

Dividends are recognised as receivable when a security is listed as ex-dividend. Income from fixed interest investments is recognised when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank or investment fund. Other investment income is recognised when notified as payable to the Charity by the relevant fund managers.

Expenditure

Liabilities are recognised as expenditure when there is a legal or constructive obligation committing the Charity to the expenditure. Grants, both single and multi-year, are recognised in the accounts as liabilities after they have been approved by the Trustees, the recipients have been notified and there are no further terms and conditions to be fulfilled within the control of the Charity. In these circumstances there is a valid expectation by the recipients that they will receive the grant.

Notes to the Accounts

Expenditure on raising funds

Expenditure on raising funds includes the direct costs paid to service providers for managing the investment assets, the direct costs of activities including staff salaries and other expenditure, and an allocation of related support costs. Support costs are allocated according to an estimate of the proportional usage across different activities supported, generally on a staff time basis.

Charitable activities

The cost of charitable activities consists of grants awarded, the direct costs of grant making activities including staff salaries and other expenditure, and an allocation of related support costs.

Investments

Marketable investment assets are included in the financial statements at their fair values, either at closing market prices (listed investments) or through independent valuation (unlisted direct property) or from valuations provided by the investment manager (unlisted hedge funds, private equity and indirect property). Cash held for investment purposes is included within investments. The Charity enters into forward currency contracts to reduce currency exposure in its investment portfolio. The basis of fair value of these forward exchange contracts is estimated by using the gain or loss that would arise from closing the contract at the balance sheet date. All investment and currency gains and losses are recognised as incurred.

Pensions

The Charity operates a defined contribution scheme. Contributions payable to the scheme are included as expenditure in the period in which the Charity receives the related services from the employees.

Irrecoverable VAT

Irrecoverable VAT is included in the Statement of Financial Activities or Fixed Assets within the expenditure to which it relates.

Fixed assets

Leasehold improvements are included at cost and depreciated on a straight-line basis over the remaining term of occupation of the Charity's premises. Fixtures, fittings and equipment are included at cost and depreciated on a straight-line basis over 4 years. Assets below £1,000 in cost are not capitalised. The cost of assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Operating leases

Rental costs of operating leases where the Charity is a lessee are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rental income from operating leases where the Charity is a lessor is recognised on a straight-line basis over the term of the relevant lease.

Key judgements and assumptions

In the application of the charity's accounting policies, Trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

Notes to the Accounts

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods. The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

Valuation of investment properties – these are stated at their estimated fair value based on professional valuations as disclosed in note 9. Commercial Property valuations are prepared by applying an investment yield to the appropriate rental income stream, having regard to the individual asset fundamentals, including inter alia, location, lease length and tenant covenant strength. The relevant investment yield and rental values are determined principally through the use of comparative data.

Valuations for Rural Estates properties let on Assured Shorthold, Farm Business or protected residential tenancies are calculated by applying a discount to the vacant possession value to reflect the degree to which vacant possession is not immediately available. Valuations for properties let under the Agricultural Holdings Act 1986 are prepared by making an assessment of the estimated rental value of the properties, as compared to the current rent passing, and applying to the estimated rental value a valuation yield to reflect the individual characteristics of the property.

Valuation of private equity investments – these are stated at their estimated fair value based on valuations carried out by the fund managers.

Financial instruments

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Financial assets held at amortised cost comprise cash at bank, together with trade and other debtors. Financial liabilities held at amortised cost comprise trade and other creditors.

Investments held as part of an investment portfolio are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure.

3. INVESTMENT INCOME

	2022 £'000	2021 £'000
Equities	4,551	3,971
Fixed Income	761	470
Property	6,582	6,559
	11,894	11,000

Notes to the Accounts

4. EXPENDITURE

	Expenditure on Raising Funds £'000	Grant- making £'000	Governance £'000	Total 2022 £'000	Total 2021 £'000
Grants awarded (note 5)	-	64,901	-	64,901	39,800
Direct costs					
Direct property costs	1,986	-	-	1,986	891
Investment management, administration and advice	10,476	-	-	10,476	10,062
Staff costs (note 6)	98	1,124	104	1,326	1,111
Auditors' remuneration*	-	-	48	48	38
Other costs	-	218	158	376	128
	<u>12,560</u>	<u>66,243</u>	<u>310</u>	<u>79,113</u>	<u>52,030</u>
Support costs					
Staff costs (note 6)	24	716	11	751	586
Premises and office services	59	755	25	839	581
	<u>83</u>	<u>1,471</u>	<u>36</u>	<u>1,590</u>	<u>1,167</u>
Total expenditure	<u>12,643</u>	<u>67,714</u>	<u>346</u>	<u>80,703</u>	<u>53,197</u>

* - in the current and previous year the auditors' remuneration was solely for audit services.

5. GRANTS AWARDED

	2022 £'000	2021 £'000
Grants to organisations	63,648	38,713
Grants to individuals	1,583	1,440
Grants returned or cancelled	(330)	(353)
Total Grants Awarded	<u>64,901</u>	<u>39,800</u>

Further analysis of our main grant awards is given in the Trustees' Report and a full listing of grants awarded to organisations is available on our website. This information has not been audited.

6. STAFF COSTS

	2022 £'000	2021 £'000
Wages and salaries costs	1,624	1,326
Social security costs	193	144
Pension costs	172	152
Other benefits	88	75
	<u>2,077</u>	<u>1,697</u>

Notes to the Accounts

The average number of employees

Generating Funds	1	1
Grant-making	36	30
Governance	1	1
Total	38	32

The number of employees with emoluments greater than £60,000

£120,000-£130,000	-	1
£90,000-£100,000	1	-
£80,000-£90,000	-	1
£70,000-£80,000	2	-
£60,000-£70,000	1	2

Total remuneration for key management personnel for the year amounted to £530,000 (2021: £484,000). During the year, some employees with annual emoluments greater than £60k left the Charity, and this is reflected in the banding. If no employee changes had occurred, emoluments for the highest paid employee would have fallen within the £120k - £130k band.

There were no pension contributions outstanding at the year end.

7. MOVEMENT IN UNAPPLIED TOTAL RETURN

The overall movement in unapplied total return in the year was as follows:

	2022 £'000	2021 £'000
Unapplied total return at 1 January 2022	1,110,041	924,018
Add: Income received	11,756	11,000
Less: Expenditure on raising funds	(10,433)	(11,095)
Less : Investment losses/(gains)	(95,247)	226,918
Unapplied total return before transfer to income	1,016,117	1,150,841
Less: transfer to income	(68,047)	(40,800)
Unapplied total return at 31 December 2022	948,070	1,110,041
Add: core endowment	276,000	276,000
Endowment assets at 31 December 2022	1,224,070	1,386,041

The Charity is permitted to adopt a total return approach to its investments by Order of the Charity Commissioners for England and Wales dated 20th December 2006.

Notes to the Accounts

8. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost at 1 January 2022	258	258	516
Additions	50	-	50
Cost at 31 December 2022	<u>308</u>	<u>258</u>	<u>566</u>
Accumulated depreciation at 1 January 2022	148	239	387
Depreciation charged in the year	46	4	50
Accumulated depreciation at 31 December 2022	<u>194</u>	<u>243</u>	<u>437</u>
Net Book Value at 31 December 2022	<u>114</u>	<u>15</u>	<u>129</u>
Net Book Value at 31 December 2021	<u>110</u>	<u>19</u>	<u>129</u>

9. INVESTMENTS

	2022 £'000	2021 £'000
Listed Investments	336,401	410,156
Unlisted Investments	778,119	686,642
Investment Properties	206,951	215,772
Cash and other balances	62,509	107,079
Total Investments	<u>1,383,980</u>	<u>1,419,649</u>

The movement in market value of investments (excluding cash and other balances) was as follows:

	2022 £'000	2021 £'000
<i>Listed Investments</i>		
Market Value at 1 January 2022	410,156	355,177
Investment (losses)/gains net of fees	(41,690)	60,397
Additions	95,942	26,964
Disposals	(128,007)	(32,382)
Market Value at 31 December 2022	<u>336,401</u>	<u>410,156</u>

Notes to the Accounts

Unlisted Investments

Market Value at 1 January 2022	686,642	629,414
Investment (losses)/gains net of fees	(51,308)	147,875
Additions	220,920	79,628
Disposals	(78,135)	(170,275)

Market Value at 31 December 2022	778,118	686,642
---	----------------	----------------

Investment Properties

Market Value at 1 January 2022	215,772	196,386
Investment gains/(losses) net of fees	(8,106)	20,486
Additions	-	-
Disposals	(715)	(1,100)

Market Value at 31 December 2022	206,951	215,772
---	----------------	----------------

Total gains were made up as follows:	2022	2021
	£'000	£'000

(Losses)/gains on investment assets	(99,734)	226,918
Other currency gains	3,377	-

Investment and currency (losses)/gains	(96,357)	226,918
---	-----------------	----------------

The market value of listed investments at the year-end was £337m (2021: £410m). None of these were UK-only investments (2021: Nil).

	2022	2021
	£'000	£'000
Programme Related Investments	-	8

At 31 December 2022 the Charity had nine foreign exchange forward contracts open in eight currencies, with a notional sterling asset of £4.9 million. These contracts were entered into to mitigate the currency risk of being a UK based charity while holding global equity and hedge fund assets in local currencies. These foreign exchange forward contracts have all been revalued at the applicable year-end rates and the resulting unrealised gains are included within the overall value of the investments above. The settlement date for the contracts ranged from 31 January 2023 to 30 June 2023.

The Charity's direct holdings in property were valued at 31 December by currently Registered RICS Valuers employed by the Charity's property advisers, and in accordance with the RICS Valuation – Professional Standards (January 2014) published by the Royal Institution of Chartered Surveyors.

Notes to the Accounts

The Charity has committed to fund up to a further £89m of capital calls from private equity funds. These calls will be funded from the sale of liquid assets across the investment portfolio, and from distributions from private equity funds.

10. DEBTORS

	2022 £'000	2021 £'000
Rents receivable	525	580
Other debtors	264	262
Prepayments	1	4
	790	846

11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Grants payable	42,869	30,125
Accruals	1,384	1,604
Rental income in advance	284	294
	44,537	32,023

Movements in rental income in advance were as follows:

Balance brought forward at 1 January 2022	294
Released to income in the year	(294)
Deferred in the year	284
Balance carried forward at 31 December 2022	284

12. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022 £'000	2021 £'000
Grants payable	33,075	23,554
Accruals and provisions	75	148
Fixed-term bond issuance	100,000	-
	133,150	23,702

The Charity received £100m from a bond issued on 10 March 2022 to Metropolitan Life Insurance Company and Metlife Insurance K.K. The Charity will pay annual interest of 2.75% and the balance is repayable in full in 2072.

Notes to the Accounts

13. MATURITY OF FINANCIAL LIABILITIES

	2022 £'000	2021 £'000
In one year or less, or on demand	44,537	32,023
In more than one year, but not more than two years	27,058	16,904
In more than two years, but not more than five years	6,092	6,798
In more than five years	100,000	-
	177,687	55,725

The movement in grants payable during the year was as follows:

	2022 £'000	2021 £'000
Grants payable at 1 January 2022	53,679	49,513
Grants awarded	65,231	40,153
Cancelled grants	(330)	(353)
Payments made	(42,636)	(35,634)
Market Value at 31 December 2022	75,944	53,679

14. RELATED PARTY TRANSACTIONS

Expenses of £6,223 (2021: £1,540) were reimbursed to four Trustees during the year (2021: five) to cover travel and other related costs incurred by them in fulfilment of their duties. The Trustees received no remuneration during the year or in the previous year.

Annual subscription, Grant Award, conference and training expenses totalling £13,827 were paid during the year (2021: £12,609) to the Association of Charitable Foundations, of which N Acland, who served as Director of The Henry Smith Charity during the year, is a Trustee.

A grant of £97,300 was awarded during the year to Citizens Advice South Somerset, for whom Piers Feilden, Trustee of the Henry Smith Charity, is a volunteer advisor. £31,800 of the grant was paid in 2022 and £65,500 was outstanding at year end.

15. OPERATING LEASE COMMITMENTS

At year-end the Charity held a lease for its premises expiring in March 2026. Rental payments amounted to £121,000 in 2022 and are contracted to be £191,000 per annum until the end of the lease term.

At year-end the Charity held rental leases on its investment properties under which payments are receivable until lease expiry or term of notice as follows:

Year	Payments receivable in year £000
2023	1,343
2024	1,799
2025	162
2026	-
2027 and subsequently	36,955

Notes to the Accounts

The total payments receivable under rental leases at 31 December 2022, until expiry or term of notice for all leases, was £40.3 million.

16. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2022 £'000	2021 £'000
Net movement in funds	(165,164)	184,721
Investment losses/(gains)	96,357	(226,918)
Investment income and deposit interest	(11,894)	(11,000)
Investment management and advice	12,462	10,953
Depreciation	50	42
Decrease in debtors	1	907
Increase in creditors	21,962	5,054
Currency gains	3,377	-
Net cash flow from operating activities	(42,849)	(36,241)

17. POST BALANCE SHEET EVENT

The Charity served notice to its Landlord on 27 April 2023 and will vacate its premises at 65 Leadenhall St by 24 March 2024.

Notes to the Accounts

18. STATEMENT OF FINANCIAL ACTIVITIES FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2021 Total £'000	2020 Total £'000
INCOME					
Investment income (note 3)	-	-	11,000	11,000	10,038
Other income	-	-	-	-	2,027
Transfer to income (note 7)	39,912	888	(40,800)	-	-
TOTAL INCOME	<u>39,912</u>	<u>888</u>	<u>(29,800)</u>	<u>11,000</u>	<u>12,065</u>
EXPENDITURE (note 4)					
Expenditure on raising funds (investment costs)	-	-	11,095	11,095	13,882
Charitable activities					
Grant-making	41,249	853	-	42,102	41,516
TOTAL EXPENDITURE	<u>41,249</u>	<u>853</u>	<u>11,095</u>	<u>53,197</u>	<u>55,398</u>
Gains on investment and currency assets (note 9)	-	-	226,918	226,918	153,242
NET MOVEMENT IN FUNDS	<u>(1,337)</u>	<u>35</u>	<u>186,023</u>	<u>184,721</u>	<u>109,909</u>
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2021	1,353	768	1,200,018	1,202,139	1,092,230
TOTAL FUNDS AT 31 DECEMBER 2021	<u>16</u>	<u>803</u>	<u>1,386,041</u>	<u>1,386,860</u>	<u>1,202,139</u>

Notes to the Accounts

19. BALANCE SHEET FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2021 Total £'000	2020 Total £'000
FIXED ASSETS					
Tangible Fixed Assets (note 8)	129	-	-	129	123
Investments (note 9)	33,070	-	1,386,579	1,419,649	1,243,613
Programme Related Investments (note 10)	-	-	8	8	16
Total Fixed Assets	<u>33,199</u>	<u>-</u>	<u>1,386,587</u>	<u>1,419,786</u>	<u>1,243,752</u>
CURRENT ASSETS					
Debtors (note 11)	151	-	695	846	2,372
Cash at bank	20,918	1,035	-	21,953	6,687
	<u>21,069</u>	<u>1,035</u>	<u>695</u>	<u>22,799</u>	<u>9,059</u>
CREDITORS					
Amounts falling due within one year (note 12)	(30,550)	(232)	(1,241)	(32,023)	(30,595)
NET CURRENT ASSETS/ (LIABILITIES)	<u>(9,481)</u>	<u>803</u>	<u>(546)</u>	<u>(9,224)</u>	<u>(21,536)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	23,718	803	1,386,041	1,410,562	1,222,216
CREDITORS					
Amounts falling due after one year (note 13)	(23,702)	-	-	(23,702)	(20,077)
NET ASSETS	<u>16</u>	<u>803</u>	<u>1,386,041</u>	<u>1,386,860</u>	<u>1,202,139</u>
FUNDS					
Main Endowment Fund Estates	-	-	1,357,887	1,357,887	1,172,758
Endowment Fund Main	-	-	28,154	28,154	27,260
Unrestricted Fund Estates	16	-	-	16	1,353
Restricted Fund	-	803	-	803	768
TOTAL FUNDS AT 31 DECEMBER 2021	<u>16</u>	<u>803</u>	<u>1,386,041</u>	<u>1,386,860</u>	<u>1,202,139</u>

Accounts

THE HENRY SMITH CHARITY
Registered Charity 230102

**ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Contents

Chair's Review	2
Report of the Trustees	3
Report of the Auditors	20
Financial Statements	23

Chair's Review

Last year I said that we had been working with our investment advisers to explore drawing more than our usual annual 4% from the endowment in the light of the excellent investment performance of the last few years, to enable us to increase our grant giving in the future. I am pleased that the conclusion of that analysis was that we should be able to release an additional £100m from the fund over the next ten years, and this has now been factored into our forward planning.

The Covid- 19 pandemic with its restrictions continued to create challenges across society in 2021. And as those eased earlier in 2022, we have faced the issues of war in Ukraine and high inflation affecting living costs, especially for the most disadvantaged. Against this background I am again very proud of the way in which the Charity has continued to deliver and is substantially increasing the grant funding awarded. I am extremely grateful to the staff team, who had to work remotely for long periods, for the way in which this has been achieved.

We gave grants totalling a record £39.8m in 2021. This included £1.3m from our own funds, as part of the Covid 19 response, for organisations in Northern Ireland, Scotland and Wales which had not been eligible for the 2020 DCMS Community Match Challenge (through which we had distributed £4.5m, 50% from DCMS, to organisations in England). This compares with total grants of £39.2m in 2020, which was itself very substantially more than in previous years. Throughout the year we have continued to focus on learning and evaluation. We are using data and insights from our grant making, and learning from the wider sector, to inform our decisions and ensure our grants are as effective as possible. We aim to develop this further as our data holdings grow.

We know that the impacts of the pandemic are likely to be long lasting, particularly for disadvantaged communities, who are likely also to be worse affected by the current problems. Many organisations working with those communities have not been able to support as many people as they would have wanted. In response, in Autumn 2021 we invited over 400 of our current grant holders to apply for an additional 3 year grant to help meet those additional needs. Through this initiative we expect during 2022 to give an additional up to £20m, drawing funds from the additional £100m which the Board agreed should be made available over 10 years.

Also from the £100m, over 3 years we plan to spend a further up to £45m extra to fund work in communities which have been most adversely affected and to increase our spend on main grants. In preparation for this we have been recruiting more staff and volunteer visitors who are crucial in assessing the applications. I was delighted to meet so many new recruits, alongside longer serving staff and volunteers in April when we were able to hold our first in person conference for 3 years.

The additional spend has been made possible by excellent investment performance in recent years. At the end of 2021 the endowment was valued at £1.4bn. It has not been immune to the volatility since then, but it is highly diversified and working with our investment advisers we have been able to weather the storms relatively well. In January this year we issued a bond for £100m. This will enable a continuing increase in grants over the long term.

I should like to thank my fellow Trustees for their continuing support, time and commitment. Having worked entirely virtually in the early part of 2021 we have since been able to resume in person meetings, albeit often with some remote attendance for Committees. There have been several changes in Trustees in recent months. We were delighted to welcome George Roberts, Faisal Rahman and Andy Beeforth who joined the Board in 2021, and Jan Garrill who joined in January 2022 followed by Peter Wilson in June.

We have been sad to say goodbye to several Trustees. Noel Manns and James Hordern reached the end of their terms in December 2021 and May 2022 respectively. Both had served for a long time and made enormous contributions. Noel was Vice Chair and had for a time been acting Chair. James had chaired the Investment Committee. We are grateful to Ben Kernighan and Emma Davies who have taken on the Vice Chair and Investment Committee Chair roles. Emily Bolton and Heider Ridha stepped down early because of other commitments. We wish all our departing Trustees well for the future.

Finally, I should like to thank Nick Acland, who left in May 2022. He had served the Charity with great dedication for a very long time, first as a Trustee and for nearly 10 years as the Director. We are extremely grateful to him and he goes with our very best wishes.

Vivienne Dews, Chair

Report of the Trustees

Trustees

J Asquith	A Beeforth (appointed December 2021)
E Bolton (retired December 2021)	B Colgrain
E Davies	V Dews
E Feisal	P Feilden
J Garrill (appointed March 2022)	M Granger
P Hackwood	J P Hordern (retired May 2022)
B Kernighan (retired July 2022*)	N G H Manns (retired December 2021)
F Rahman (appointed May 2021)	H Ridha (retired June 2022)
G Roberts (appointed Jul 2021)	P Wilson (appointed June 2022)

* - Ben Kernighan has stepped down as a Trustee for a temporary leave of absence

Registered Office

65 Leadenhall Street, London, EC3A 2AD

Website

www.henrysmithcharity.org.uk

CEO

N Acland (until May 2022)

A Shukla (from May 2022)

Charity Registration

230102

Bankers: Bank of Scotland, 8 Lochside Avenue, Edinburgh, EH12 9DJ

Solicitors: SNR Denton LLP, One Fleet Place, London, EC4M 7WS
Veale Wasbrough Vizards LLP, 24 King William Street, London, EC4R 9AT

Auditor: Crowe U.K. LLP, 55 Ludgate Hill, London EC4M 7JW

Investment Custodian: Northern Trust, 50 Bank St, London, E14 5NT

Investment Advisers: Cambridge Associates, 80 Victoria Street, London, SW1E5JL

Property Advisers: LaSalle Investment Mgt, 33 Cavendish Square, London, W1A 2NF
Savills UK Ltd, Stuart House, City Road, Peterborough, PE1 1QF

Report of the Trustees

Overview

Introduction

The Henry Smith Charity was established from a gift of land given during the lifetime of Henry Smith, and bequest upon his death in 1628. Since then, the charity has honoured the spirit of Henry Smith's will, working to combat disadvantage and meet the challenges and opportunities facing people in need throughout the UK. Nearly four centuries after we were first established, The Henry Smith Charity is one of the largest grant-making charities in the UK.

The Henry Smith Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. We achieve this by providing funding to reduce social and economic disadvantage. Our grantees are at the core of our mission and work.

The charity is registered in England and Wales and governed by a Scheme of the Charity Commissioners dated 5 October 2000 which came into effect on 1 January 2001.

Guiding Principles

The Charity has adopted a set of guiding principles which outline how we aim to work as an organisation. They guide our activity, serve as a reference for our ongoing work, and help to ensure that our actions are consistent with our aspirations. These principles underpin all our grant making activities.

- We aim to continue the legacy of philanthropy established by our founder Henry Smith
- We focus on those social problems where there is an opportunity for our money to make a difference
- We endeavour to maximise the effectiveness of our funding
- We seek to be responsive to demand
- We aim to maintain a rational, pragmatic approach
- We aim to be as helpful as possible to those we seek to assist

Trustees

The Charity is required to have between ten and twenty Trustees. The Trustees are listed on page 1 of this report. New Trustees serve up to two terms of five years each, with provision in exceptional cases for a third term of up to five years. Trustees are appointed following a formal recruitment process, including an assessment of the Charity's needs and the mix of skills and experience on the Board. A structured induction programme is provided for all for new Trustees. Board effectiveness is maintained and ensured through regular reviews of both Board and individual Trustee performance, and Trustee training is provided as needed.

Report of the Trustees

Decision Making

The Board is responsible for all major policy decisions and for approving strategy and objectives. It meets four times a year. Main grants are approved by the Board, but significant decision-making authority is also delegated to the following committees:

- Decisions in respect of some of the Charity's smaller grant programmes are delegated to Trustee Committees or appointed Trustees, with recommendations and decisions being reported to the Board.
- The Governance and Nominations Committee is responsible for ensuring good governance of the charity.
- The Remuneration Committee is responsible for determining the Director's and Senior Managers' remuneration.
- The Investment Committee is responsible for investment policy, asset allocation, fund selection and performance monitoring.
- The Finance and General Purposes Committee is responsible for budgeting and financial management, organisational policies, staff remuneration, audit and risk management.

Day to day operational activities are delegated to the Director and members of the senior management team, comprising the Head of Finance & Resources, Head of Grants, Head of Grants Administration and Head of Learning & Evaluation, under a formal schedule of delegations.

Statement of Organisational Purpose

In 2019, guided by the recommendation in the Charity Governance Code, we developed a statement of organisational purpose: ***'To use our resources to help people and communities at a time of need and to bring about positive change.'*** This informs and guides our decision making across the organisation.

The Charity's objects and activities for the public benefit

The Charity is constituted as two funds, the Main Fund and the Estates Fund. The objects of the Main Fund of the Henry Smith Charity have been changed at various points over the years, while maintaining the spirit of Henry Smith's original bequest. The objects as currently agreed with the Charity Commission are as follows:

- For the relief of the poor kindred of Henry Smith;
- For hospitals, hospices and other forms of residential care or provision of health care for those who are sick or in need and for other institutions providing medical assistance for those in financial need;
- For the relief of poor, aged or sick persons and their spouses, widows, widowers and dependants;
- For the relief of poor, aged or sick members of the clergy and their spouses, widows, widowers and dependants;
- For the relief, rehabilitation and training of disabled persons including disabled ex-Servicemen and war widows;
- For any medical research;
- For the promotion of moral welfare or social service; and
- For the relief and rehabilitation of those persons who are or have been slaves or serfs and their dependants who are in need or distress or for preventing their seizure.

The objects of the Estates Fund of the Henry Smith Charity are as follows:

- For the relief of poor, aged or infirm in specified, historic parishes;
- For the relief of poor, aged or infirm elsewhere in England and Wales;
- For the benefit of hospitals or convalescent homes in the specified, historic parishes; and
- For the benefit of hospitals or convalescent homes elsewhere in England and Wales.

Report of the Trustees

The Charity's objects provide the framework within which more detailed funding priorities are set; these priorities will change from time to time as needs change and the funding landscape shifts. ***Current priorities for the Charity's grant programmes are set out on the Charity's website.***

In summary, the Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. This is achieved by funding organisations that work with people to reduce social and economic disadvantage.

Public Benefit

Trustees have considered the Charity Commission guidance on public benefit when planning future activities, setting grant-making policies and in making grants. The positive social impact anticipated from each grant is considered before a grant is awarded and monitored. This enables Trustees to be confident that the Charity has, through its wide range of grantees, achieved significant public benefit for a number of vulnerable groups across the UK. A diverse range of public benefit is provided by the hundreds of charities we support each year, as they work to alleviate need and distress, and help people lead more fulfilling lives. A summary of our grant making in 2021 is set out below illustrating the work we have supported.

Diversity, Equity and Inclusion

As a charity working to reduce social and economic disadvantage, the values of Diversity, Equity and Inclusion (DEI) are central to the ethos of The Henry Smith Charity. We believe that these values should be reflected throughout our whole organisation and everything we do. This includes working to address social inequity in all its forms including racial injustice and discrimination.

We recognise that this will not be achieved without self-awareness and work on our part. We are therefore committed to measuring, monitoring and publishing our progress in these areas.

Over the past two years we have been working on our organisational approach to DEI. We set up a steering group made up of staff, Trustees, and volunteers to set initial objectives, and an operational group to implement the plans arising. In 2021 we:

- assessed our performance against the Association of Charitable Foundations (ACF) pillars of good practice, especially in relation to DEI, and identified areas of improvement for our grant making.
- carried out a review of our grants using the Funders for Race Equality audit tool developed by Cadbury Barrow Trust, Esmée Fairbairn Foundation and Power to Change on behalf of the Funders for Race Equality Alliance. We published the findings on our website.
- commissioned Pearn Kandola (PK) to carry out an Inclusion Audit. All staff, Trustees and volunteers were invited to participate. Demographic information was collected, along with qualitative and quantitative information gathered from a survey and focus groups. The recommendations of the report were agreed by the board of Trustees and an action plan implemented.
- started the process of reviewing our policies and procedures, prioritising and improving those relating to recruitment and induction. Our review of recruitment processes resulted in the implementation of many positive changes and applications from a more diverse pool of candidates.
- Developed a DEI training plan and invited potential providers to quote to deliver this in 2022

We have now established a working group to develop and implement an organisational DEI strategy, which we hope to complete and publish during 2022.

Report of the Trustees

Grant Making Programmes

We awarded grants through a number of different programmes during the year.

Programme	Overview
Main Grants	Grants for organisations that work to reduce social and economic disadvantage. Main grants are divided into two separate programmes: Improving Lives and Strengthening Communities. Each of these programmes has a separate set of priorities and guidelines.
Strategic Grants	Grants identified proactively, supported by the evidence and learning from our responsive programmes. These grants are not restricted to proven work or direct service delivery and may involve significant elements of innovation, awareness raising and/or systemic change.
Covid-19 Grants	Grants for organisations enabling them to deliver established vital services with those most affected by Covid-19 and/or to deliver new/different services to respond to challenges related to the current crisis.
County Grants	Grants for smaller organisations working with disadvantaged people and communities in one of eight English counties with which the Henry Smith Charity has a historical connection.
Holiday Grants	Grants for recreational trips and holidays for groups of children aged 13 and under in the UK who are disabled or disadvantaged.
Parishes Grants	Grants for local organisations, mainly based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in specified parishes but widened in 2020 to include parishes located in some of the most deprived areas in the UK as highlighted by the indices of deprivation.
Clergy and Christian Projects	Grants to support projects that explicitly promote the Christian faith in the UK.
Kindred Grants	Grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Grants are awarded on a means-tested basis.

Grants totalling £39.8million were awarded as follows:

Programme	Total Funding Committed
Main Grants	£33,957,000
Strategic Grants	£629,000
Covid-19 Grants	£1,302,000
County Grants	£1,283,000
Holiday Grants	£90,000
Parishes Grants	£853,000
Clergy and Christian projects	£1,189,000
Kindred Grants	£850,000
Less: cancelled/refunded grants	(£353,000)
Total Grant Awards	£39,800,000

A full list of the grants we made to organisations over the last year along with the detailed criteria for each grant programme is available on our website.

Report of the Trustees

Achievements and Performance – Main Grants

£33,957,000

Our Main Grants Strategy comprises two programmes: Improving Lives and Strengthening Communities. Each programme has its own priorities, funding guidelines, criteria and application information. In 2021, we made 248 grants – 219 Improving Lives grants and 29 Strengthening Communities grants. We received 955 applications in total, a similar number to 2020.

	Improving Lives	Strengthening Communities	Total
Total number of applications	844	111	955
Total number of grants	219	29	248
Success rate	26%	26%	26%

Almost all grants were for three years and the average 3-year total grant award was £136,000, a 5% increase on 2020. The average Improving Lives grant was £138,000. The average Strengthening Communities grant was £121,000.

Continuation grants (repeat grants made to applicants who we currently fund) accounted for 39% of all Main Grants. Continuation grant applicants have significantly higher success rates than non-continuation grant applicants.

Improving Lives

Through the Improving Lives grant programme, we support charitable organisations across the UK to help people for whom other sources of support have failed, been inappropriate or are simply not available. This is our largest funding programme, through which we distribute most of our funds. In 2021, we made **219 Improving Lives grants** in response to **844 applications**.

The Improving Lives programme has six funding priorities, which describe the work we fund and how we want to bring about change for the most disadvantaged people in the greatest need. During the application process grantees must demonstrate how the outcomes they deliver meet one or more of these priority areas:

- **Help at a Critical Moment** - Helping people to rebuild their lives following a crisis, critical moment, trauma or abuse
- **Positive Choices** - Helping people, whose actions or behaviours have led to negative consequences for themselves and others, to make positive choices
- **Accommodation / Housing Support** - Enabling people to work towards or maintain accommodation
- **Employment and Training** - Supporting people to move towards or gain employment
- **Financial Inclusion, Rights & Entitlements** - Supporting people to overcome their financial problems and ensure they can claim their rights and entitlements
- **Support Networks & Family** - Working with people to develop improved support networks and family relationships

As in previous years, Help at a Critical Moment and Support networks and Family were the most selected cause areas chosen by 61% and 53% of grant holders respectively. This was consistent with 2020. We received fewer Financial Inclusion, Rights and Entitlements applicants than in 2020, which was surprising given the economic impacts of the Covid-19 crisis. We received significantly more applications and made more grants addressing Employment and Training, many of these supporting Children and Young People.

Grants can be made for an organisation's running costs (including salaries and overheads) or the costs of a specific project (including staffing costs). In 2021 we awarded 134 grants towards project costs and 85 grants towards organisational running costs.

Report of the Trustees

Strengthening Communities

The Strengthening Communities programme supports small grassroots organisations working in the most deprived areas of the UK (measured by national indices of multiple deprivation). We know that smaller organisations rooted in their communities play a vital role in supporting people to make positive changes. We support these organisations to create lasting solutions to both the individuals and the community. We make Running Costs grants only.

In 2021, we made grants to 29 organisations in response to 111 applications, an increase in grants despite a small reduction in applicant numbers compared to 2020. The proportion of the Main Grants budget going to Strengthening Communities has decreased from 19% in 2018 to 12% in 2021. The average grant value totalled £121,000, a 12% increase compared to 2020. The number of Strengthening Communities applications has fallen since we launched the programme in 2018.

In 2021 we promoted our Strengthening Communities Programme in areas of the UK where the levels of applications and grants awarded were lower than we would expect. We also updated the criteria for the programme to fund organisations supporting organisations physically located within, or immediately next to the most deprived areas, with the aim of reducing the number of ineligible applications. These two measures resulted in an increase in applications in the second half of 2021, and we expect the number of Strengthening Communities grants awarded to be higher in 2022.

Cause Areas Supported

Cause area	Grants	Rejected Applications	Success Rates
Black and Minority Ethnic Communities	10	16	38%
Carers	7	15	32%
Children and Young people	30	130	19%
Disability	18	46	28%
Disadvantaged Communities	45	146	24%
Domestic and Sexual Abuse	25	31	45%
Family Services	23	49	32%
Homelessness	18	31	37%
Learning Disabilities	17	39	30%
LGBTQ	4	6	40%
Mental Health and Wellbeing	9	89	9%
Older People	10	39	20%
Prisoners and Ex-Offenders	6	16	27%
Refugees and Asylum Seekers	17	21	45%
Sex Work, Trafficking and Modern Slavery	2	4	33%
Substance Misuse and Dependency	7	16	30%
Ineligible (outside of criteria)		13	0%
Total	248	707	

Our grant making focus remains relatively broad and responsive. We aim to respond to the needs identified by applicants, and therefore make grants to charities supporting individuals facing disadvantage in diverse areas of their lives.

We continue to see a high demand for grants related to domestic and sexual abuse, family support services, and children and young people. Success rates for applications working to address mental health and wellbeing were low this year. However, this does not tell the whole story as many grant holders delivering work categorised in other cause areas are working towards improved mental health outcomes.

Report of the Trustees

Geographical Distribution

As a UK-wide responsive funder running an open grant programme, it is important that we make grants across the UK. The table below shows the number of grants made and applications received in the year split by geographical area.

We continue to find that much of the work meeting the greatest need is within the most deprived, mainly urban areas of the UK. In 2021, we made 44% of our grants to organisations based in geographical areas in the bottom 20% on the Indices of Multiple Deprivation. The Strengthening Communities programme has a particular focus on areas of deprivation. In 2021, we made 19 of 29 grants to organisations working in the 5% most deprived areas of the country.

We will continue to review the geographical spread of our grant making to ensure that we are receiving applications from all areas of the UK and that our grant making is targeted to need.

Geographical area	Grants	Applications
Crown Dependency	0	1
East Midlands	11	57
East of England	8	51
London	57	168
National	13	71
North East	10	44
North West	36	111
Northern Ireland	11	26
Scotland	19	78
South East	20	96
South West	15	69
Wales	7	37
West Midlands	15	83
Yorkshire and The Humber	26	63
Total	248	955

Report of the Trustees

Grant Assessment

We assess the quality of applications against a wide variety of different criteria to ensure that we are achieving our charitable objectives and that we are making robust, transparent and consistent funding decisions.

Assessment of the organisations is divided into the following headings:

- Vision, mission and strategy
- Integration into the community
- Financial Eligibility
- Budgeting and fundraising
- Governance

Assessment of the service(s) provided is divided up into the following headings:

- Need for the service
- Description of the service
- Is it clear how the service is making a difference?
- Service impact
- How 'significant' is the difference?
- Monitoring & evaluation quality
- Ability to deliver
- Is the work delivered as intended?

Once an application has passed the initial paper-based assessment, an assessment visit will take place. This enables us to assess the need for the project, ensure the organisation's management and governance are fit for purpose, confirm that the project is sustainable, and the outcomes are both realistic and achievable.

Grant Holders' Progress Reports

Once a grant has been approved, grant holders report back to us on their progress annually for the duration of their grant. They report on the numbers of people they helped, activities delivered, beneficiary outcomes, organisational developments, external changes that have affected their work, their financial performance and outlook for the year ahead. They also provide beneficiary case studies.

These reports provide valuable information on issues our grant-holders are facing, and on progress of work supported by our grants. During the continuing pandemic, these reports have provided evidence of need for the additional funding to grant holders planned for 2022.

Learning and Evaluation

In line with the wider voluntary sector we are aware of the need to understand the impact of our work. We require those applying to us to demonstrate the outcomes they are achieving and believe we should apply the same rigour to ourselves. This is a challenge, as our grants cover a wide range of services and groups to relieve poverty, deprivation and disadvantage.

We monitor the outcomes of all grants through our progress reporting process. We examine the specific outcomes that organisations have achieved in terms of the number of people they work with and the benefit they provide. During the COVID-19 pandemic we wanted to be as helpful as possible and allow organisations to focus on responding to the needs they are seeing on the ground. While the outcomes of some grants changed, the monitoring framework we have in place allowed us to continue to collect information about the outcomes achieved with each grant, learn about the organisation and the operating environment, and identify lessons learned.

We monitor our grantmaking throughout the year but also carry out a detailed annual review to confirm our understanding of who and what we are funding. We analyse applications and grants made and use the data to inform our policy-making and future planning. This continues to be particularly important for understanding the changing environment and the impact of Covid-19 on our grant holders.

Report of the Trustees

We also gather insight and learning from the wider sector to inform our grantmaking. We carry out a series of internal reviews looking at the context, needs and issues in each of the major sectors we fund. This work gathers learning to inform our Improving Lives and Strengthening Communities grants assessments and also feeds into longer term policy and strategy development. We also identify opportunities for strategic funding where our funding could have a magnified impact. Over the last year we have implemented an internal learning log as a framework for collecting and storing our internal learning to use it systematically to inform our decision making.

Achievements and Performance – Other Programmes

Strategic Grants

£629,000

While most of our funding is distributed through our Improving Lives and Strengthening Communities programmes, we also proactively identify Strategic Grants, supported by the evidence and learning from our responsive programmes.

All Strategic Grants broadly align with the aims of the Improving Lives and Strengthening Communities programmes; however they are not restricted to proven work or direct service delivery. They may involve significant elements of innovation, awareness raising and/or systemic change. We also expect Strategic Grants to have a legacy of change which continues beyond our involvement. We have been carrying out reviews of our various grant-making areas, which have identified some possibilities for strategic grant-making, and this is an ongoing process.

We currently have three active strategic grants.

1. In 2020 we launched our Housing First programme through which we have made £2m of grants to support small/ medium sized organisations delivering Housing First services for those who have experienced homelessness with multiple and complex needs.
2. Together with youth charity Impetus, in 2020 we contributed £2m to the Engage Fund a new programme to tackle the rising number of school exclusions and improve outcomes for young people from disadvantaged backgrounds who are at risk of exclusion from school, or in alternative provision. This work will provide funding and support to five organisations pioneering high-quality interventions to help more young people who are struggling to engage in mainstream education, by helping them develop essential life skills, reintegrate into school when appropriate and achieve the qualifications they need.
3. This year we made a strategic grant of £629,000 to DFN Project SEARCH to deliver more than 120 Supported Internship programmes for young people with learning disabilities and/or autism.

Throughout this year we have also been working to develop a strategic grant supporting Advocacy services for people with Learning Disabilities. Grants will be made in the next financial year.

Covid-19 Grants

2021 continued to be dominated by the Covid-19 pandemic which has far reaching implications for our grant holders and the people they are working to support. We continued to support grant holders by being flexible with our funding, giving grant holders greater scope to address funding shortfalls, or meet changing needs.

Following on from the additional £4.5m funding we were able to provide grant holders in England in 2020, we identified grant holders supporting communities most impacted by the pandemic in Northern Ireland, Scotland and Wales and awarded 25 grants to a value of £1.3m.

Report of the Trustees

County Grants

£1,283,000

Historically, the County Grants programme has supported the work of small organisations and charities in eight counties with which the Henry Smith Charity has a historical connection. The eight counties are Gloucestershire, Hampshire, Kent, Leicestershire, Suffolk, Surrey, East Sussex and West Sussex. A decision was made in 2021 to phase out the programme, in order to focus funding more directly into areas of the greatest need, with programmes in specific Counties closing on the retirement of the Trustees with responsibility for recommending grants in these areas. In 2021 we closed funds for East Sussex, Gloucestershire, Hampshire, Suffolk and Surrey, and the West Sussex fund will close in 2022.

Grants support work with people experiencing social and/or economic disadvantage (people with disabilities, for example) and work that tackles problems in areas of high deprivation broadly in line with our main grant objectives. Grants range from £2,000 to £20,000 with an average grant size of £10,300. To be eligible to apply for a County Grant, the organisation's annual income must be below £250,000, unless the organisation is working county-wide, in which case its income must be below £1 million.

Grant recommendations are made by County Trustees who use their local knowledge to assess the merit of applications. County grant recommendations are approved at the quarterly Board meeting.

In 2021, 123 grants were awarded across the eight counties, 30 more than 2020.

County	Grant Number	Grant Amount
East Sussex	26	£113,000
Gloucestershire	11	£138,650
Hampshire	25	£237,000
Kent	25	£267,000
Leicestershire	8	£105,400
Suffolk	10	£120,000
Surrey	10	£168,855
West Sussex	9	£133,000

Grants were used for organisation running costs, salaries, project costs, or one-off small capital expenditure such as building refurbishment or equipment.

Holiday Grants

£90,000

The Holiday Grants programme provides one-off grants for short holidays and recreational trips for groups of children aged 13 and under in the UK who are disabled or disadvantaged. During the year we made 52 grants.

Grants ranged between £500 and £2,500 and were made to schools, youth groups, not for profit organisations and charities. We temporarily adjusted our guidelines to fund day trips only for a variety of fun activities for young people many of whom had had little opportunity to leave their homes during covid restrictions. Due to the impact of Covid-19 the number of grants awarded has been lower than in previous years. It is important to us that no child be excluded on financial grounds from a trip we are supporting, and all grants are awarded on this condition. In line with our commitment to be flexible and supportive to our grant holders, we have agreed to changes to dates and duration of trips as necessary and adjusted our guidelines to provide greater flexibility for grant holders and applicants.

Report of the Trustees

Clergy and Christian Projects

£1,189,000

The Clergy and Christian Projects grants programme has three elements and in 2021 grants were made as follows:

Programme	Grant Amount
Grants to support individual clergy, managed through Church of England dioceses	£640,000
Bursaries for Church of England Ordinand training	£54,000
Grants to Christian Projects that explicitly promote the Christian faith in the UK	£495,000

In the Christian Projects programme we value projects that set out to nurture and grow people's journey in Christian faith and grow churches, and only support work that comes from a Church of England context, or is fully ecumenical. There are three priority areas for this fund and all applications must explicitly address one or more of these priorities.

1. Meeting the spiritual needs of older people, including those with dementia
2. Reaching out to people unconnected with churches, especially young people and young families, by nurturing their spiritual interest and well-being
3. Projects which support and care for Anglican clergy at times of acute need.

Kindred

£850,000

In line with Henry Smith's will, which included a legacy to help members of his family in financial need we award grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Our Kindred grant making goes directly to address financial need among the descendants of Henry Smith. Grants are awarded on a means-tested basis. A free confidential Helpline is also provided as an alternative means of assistance. More than 2,500 kindred are registered with us and over 200 people received financial support in 2021. We were also pleased to introduce an emergency grant scheme for Kindred who were facing financial hardship as a result of the pandemic especially in the period before government support payments reached those in need.

Parishes

£848,000

The parish scheme is a separate fund within the endowment, representing approximately 2% of our assets. Under the scheme we distribute annual grants of between £2,000 and £20,000 to over 150 entities, based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in particular parishes. These entities then use the money for the relief of poverty within their designated parishes, and report annually how the money was used.

The entities include local ecclesiastical parishes, specially established local Henry Smith Charities and larger grant making organisations such as Trust for London and Cripplegate Foundation. In 2021, we made 200 grants, including 43 supplementary grants, intended to support 15,000 beneficiaries. Over 1,000 volunteers administer the local grant-making and more than 5,000 people receive a grant each year.

During the year we continued to offer the opportunity for parishes to apply for supplementary grants to meet additional needs in their area, many of which are more acute due to the impact of Covid-19. In addition we continued to widen the scope of the scheme to cover 22 additional parishes, based in the most deprived areas, who were in a position to make grants to meet the needs of people in their areas.

Report of the Trustees

Plans for Future Development

We have agreed a one-off budget of £20m for Covid-19 grants and have invited existing grant holders to apply for funding, to be awarded in 2022, to meet the additional and continued needs arising from the impact of the Covid-19 pandemic. These grants will provide longer-term support to enable organisations to extend their reach, respond to more complex needs or maintain an increase in delivery arising from the pandemic.

We are recruiting more staff and volunteers to increase capacity, with induction and training in the first half of 2022. After carrying out online assessments from the start of the pandemic, we are returning to face to face visits to organisations as part of the second stage of our main grants application process.

In 2022 we plan to increase the total of Main Grants awarded to £40m and aim to sustain this higher level of grant-making for some years. The Trustees agreed in 2021 to distribute an additional up to £100m over ten years, in light of strong historic investment performance, and this will enable an increased Main Grants budget as well as further additional grant-making.

Throughout this year we have also been working to develop a strategic grant supporting Advocacy services for people with Learning Disabilities. Grants will be made in 2022.

Within the organisation we will evaluate the Flexible Working Pilot we started in October 2021 and review our future office needs and working arrangements. At the same time staff, Trustees and Volunteers will be participating in a shared DEI learning and development programme, and we will be developing an organisational DEI Strategy.

Financial Review

Investments

The Henry Smith Charity is a permanent endowment, with assets held in perpetuity. These assets are the primary funding source for the Charity, so the performance of investments over the long term is vitally important to the sustainability of the Charity, and the impact it can make through the grants it awards.

The Charity operates a Total Return approach to investment, with power to spend both income and capital, provided the core endowment of the fund is maintained. The Charity has power under its Scheme to invest in stocks, shares, funds, securities and other property. The Trustees have appointed professional investment advisors, who advise on investment policy and strategy, asset allocation, manager selection and performance.

Investment Policy

The investment portfolio has the primary long-term objective of maximising sustainable spending from the portfolio in order to support grant-making. The secondary long-term objective is to maintain the real value of the fund in perpetuity after spending. The Charity currently aims to spend 4% of the portfolio in grant-making over the long-term and the portfolio has a goal of returning an annual 4% real return over a rolling 5 year period.

It is recognised that in order to achieve the primary objective of sustaining a 4% spending rate over the long term, there will be periods of short-term volatility of investment returns. The investment strategy seeks to build a diversified portfolio that minimises the impact of short-term losses. Given the portfolio's strategic asset allocation and investment strategy it is understood that potential short-term losses are possible.

Report of the Trustees

The Charity also recognises that there are several other forms of risk beyond short term volatility that need to be managed as part of the ongoing oversight of the portfolio. These risks include the prudent management of liquidity, the level of exposure to non-Sterling denominated assets, the level of overall leverage in the portfolio and risks associated with investing alongside investors with different goals.

ESG

The Charity has adopted the following policy in relation to Environmental, Social and Governance (ESG) issues, and has communicated the policy to all fund managers with whom it invests.

- We take ESG factors into account when we buy new managers and when assessing existing managers.
- We also review our direct equity investments held via tracker funds to assess which companies we may wish to exclude/engage with.
- We apply a materiality lens to any observations and judgements that we make.

The Trustees have excluded from our directly held investment portfolio companies who have significant involvement (greater than 10% of turnover) in the production or retailing of alcohol or tobacco, gambling or predatory lending. Companies with any involvement in the production or sale of indiscriminate weaponry are also excluded.

Asset Allocation and Strategy

Between 60% and 65% of the investment portfolio was allocated to growth assets during the year, to provide longer term returns, with the remaining allocation invested in diversifying assets. Further details are given in note 9 to the accounts.

Total Return Approach to Investing

The Charity operates a Total Return approach to investments, with freedom to invest the entire endowment with the aim of maximising total returns regardless of whether those returns accrue by way of income or capital growth. Over the long term the investment portfolio has a target annualised return of CPI +4%; over shorter periods we assess performance against a blended benchmark comprising benchmarks for the individual asset classes in which we invest.

Investment Returns for 2021

Investment returns, net of fees, were over £225m. Total returns for the portfolio for the year were 20.1% (2020: 14.3%) and outperformed the portfolio benchmark by 10.5%. Over the last 3 years the portfolio has exceeded its long-term benchmark of CPI + 4% by 10.0% per annum.

Investment Costs

The Charity aims to maintain transparency over the total fees paid on investments and regularly reviews manager fees to ensure they are matched by performance. All investment performance is reported net of fees to enable us to monitor this closely and take corrective action where necessary.

We spent £11.1m (2020: £13.9m) on our investment fees and costs. Our investments in alternative assets such as hedge funds are more expensive than traditional long-only investments, but over time we have obtained excellent returns with lower volatility, which have more than compensated for the additional fee costs.

Fee costs comprise ongoing fees generally set as a fixed percentage of the investment value and additional fees payable only if performance thresholds and hurdles are exceeded. The performance-related fees for our alternative investment assets, included within the total costs of £11.1m, amounted to £3.4m of the total expenditure.

Report of the Trustees

“Core Endowment” (endowment funds)

Under the Total Return approach, the Charity must ensure that the value of total endowment funds does not fall below the Core Endowment. The Core Endowment is fixed at £276m, representing the value of the endowment as at 31 December 1991. Endowment funds in excess of the Core Endowment are known as the Unapplied Total Return; these are the accumulated returns from which the Charity may make funds available for grant-making. The Trustees also monitor the value of endowment funds compared to an inflation-adjusted measure of the Core Endowment, recognising the need to maintain the Charity’s spending power in real terms.

The Charity’s current policy is to transfer each year from the endowment funds, into the Main Unrestricted and Estates Restricted funds, 4.0% of the total value of the endowment as averaged over the previous 5 years (referred to as the “Distribution Rate”); these funds are then available for grant making and operations. These transfers are funded over time by the total investment returns achieved by the Charity’s endowment. The Trustees review the Distribution Rate from time to time and adjust as necessary to take account of prevailing rates of investment return.

In addition, the Trustees agreed in 2021 to distribute an additional up to £100m over ten years, in light of strong historic investment performance. This additional amount has been assessed, with advice from Cambridge Associates, as affordable while preserving the long-term funding capacity of the Endowment.

The movements in Unapplied Total Return for 2021 are shown in note 7 to the accounts. The Charity transferred £39.5 million into the Main Unrestricted and Estates Restricted funds for its annual distribution, calculated at a 4.0% Distribution Rate, and an additional £1.3m to accommodate agreed additional grant spending. For 2022 the Trustees have agreed a transfer of £42.7 million plus an extra £32.1 million for additional grant spending. At 31 December 2021, the endowment funds of £1.4bn were well in excess of the Core Endowment.

Reserves (grant-making funds)

Historically the Trustees stated policy has been to retain a reserve of funds made available for grant-making, held as the Main Unrestricted and Estates Restricted funds, to provide flexibility should unforeseen circumstances arise to give an urgent need for additional grants or other spend. The target reserve was typically one year’s costs of running the office.

Given the unprecedented circumstances of the Covid-19 pandemic, the Trustees agreed to spend down available unrestricted funds to sustain grant-making and to provide additional resources to assist charities and their beneficiaries impacted by the crisis. The Main Unrestricted fund was fully spent in 2021 and the Charity will withdraw additional funds from the Endowment as required in 2022.

The Estates Restricted fund is used solely for grants under the Parish programme, with reserves of £0.8 million at the year-end.

Risk Management

The Trustees formally review risk on an annual basis as well as when issues arise, and during the year adopted a new risk management framework to enable more effective risk management. The Trustees also meet the auditors during the year to discuss recommendations arising from their annual audit, which inform our approach.

Report of the Trustees

One of the key risks identified is that of substantial investment losses, which would reduce the amount of money available for grant-making over the longer-term and hence the impact of the Charity through the grants it awards; to address this the Charity has a diversified investment portfolio and processes in place to monitor cash flow and spending, which should minimise the potential for long term losses.

The investment portfolio has proved to be resilient through 2021 and the Charity actively monitors current risks, including the ongoing impact of the Covid-19 pandemic, the cost-of-living crisis and the events in Ukraine. This includes business continuity in the event of disaster or other business interruption; a policy and action plan have been adopted to ensure adequate control of this risk and plans were implemented to ensure the successful ongoing operations of the Charity through lockdown.

The Charity has been monitoring the performance of grants and the level of applications, as Covid-19 has proved very disruptive to many charities. Most of the Charity's existing grants have continued to run, though changes to the objectives have been agreed for some grants in response to the changed environment. The level of grant applications remains strong but manageable.

The Trustees have reviewed areas of potential risk for the Charity and concluded that there are sufficient controls in place across the organisation.

Safeguarding is a key risk area, and a safeguarding policy and training plan are in place.

Work is ongoing with regards to Data Protection and the GDPR legislation. Key areas have been addressed, and work continues to maintain full compliance as the Charity's activities develop over time.

Staff wellbeing has been an area of priority during the Covid-19 pandemic. The Charity continues to monitor staff wellbeing, aiming to provide a supportive and safe working environment despite the difficulties that can arise with protracted working-from-home, along with specific support and tools where this can benefit individuals.

Preparation of the Accounts on a Going Concern Basis

The Charity's normal practice is to distribute no more than 4% of assets annually calculated on a five-year rolling basis. On occasion, the Charity may make additional distributions, in which case an assessment of affordability and long-term sustainability is carried out, with advice from its investment advisor.

Total assets at 31 December 2021 were well in excess of the £276 million "core endowment" which must be preserved. The Trustees continue to consider the Charity to be a going concern and to prepare the accounts on this basis.

Remuneration of Key Management Personnel and Staffing

The Trustees consider the Board of the Charity and the Senior Management Team (the Director, Head of Grants, Head of Grants Administration, Head of Learning and Evaluation, and Head of Finance & Resources) as comprising the key management personnel of the charity, in charge of directing and controlling the charity and running and operating the charity on a day-to-day basis.

No Trustees are remunerated by the Charity. Remuneration for the Senior Management Team is reviewed annually, with salary increases determined in light of inflation rates and affordability. Salary increases and remuneration levels are also reviewed against other grant-making charities of a similar size and activity, to ensure remuneration is fair and not out of line with that generally paid for similar roles.

Average staff numbers increased to 32 in 2021 (2020: 31), as we continued to invest in grant-making capabilities to support our main grants strategy and the development and growth of other programmes. More details are given in note 6 to the accounts.

Report of the Trustees

Conflicts of Interest

From time to time the Charity makes grants to organisations with whom one or more of its Trustees is connected, typically as a Trustee or member of staff. The Charity takes steps to ensure that decisions on these grants are made at arms-length, and in accordance with its policies for dealing with potential conflicts of interest

Fundraising

The Charity has no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report 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 and Wales 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 Charity and of the incoming resources and application of resources of the Charity for that period.

In preparing these financial statements, the Trustees are 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are 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.

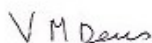
Disclosure of information to auditors

In so far as the Trustees are aware:

- There is no relevant audit information of which the Charity's auditors are unaware.
- The Trustees have taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information

Approved by the Trustees on 19 July 2022

Vivienne Dews
Chair



Independent Auditor's Report to the Trustees of The Henry Smith Charity

Opinion

We have audited the financial statements of The Henry Smith Charity ('the Charity') for the year ended 31 December 2021 which comprise the Statement of Financial Activities, Charity Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2021 and of the Charity's income and receipt of endowments and expenditure, 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.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Trustees of The Henry Smith Charity

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustee's report; or
- sufficient and proper accounting records have not been kept by the parent charity; 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.

Responsibilities of the trustees

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

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

Independent Auditor's Report to the Trustees of The Henry Smith Charity

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Charity for fraud.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance and General Purposes Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the Charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor

London

9 September 2022

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Statement of Financial Activities for the Year Ended 31 December 2021

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2021 Total £'000	2020 Total £'000
INCOME					
Investment income (note 3)	-	-	11,000	11,000	10,038
Other income	-	-	-	-	2,027
Transfer to income (note 7)	39,912	888	(40,800)	-	-
TOTAL INCOME	<u>39,912</u>	<u>888</u>	<u>(29,800)</u>	<u>11,000</u>	<u>12,065</u>
EXPENDITURE (note 4)					
Expenditure on raising funds (investment costs)	-	-	11,095	11,095	13,882
Charitable activities					
Grant-making	41,249	853	-	42,102	41,516
TOTAL EXPENDITURE	<u>41,249</u>	<u>853</u>	<u>11,095</u>	<u>53,197</u>	<u>55,398</u>
Gains on investment and currency assets (note 9)	-	-	226,918	226,918	153,242
NET MOVEMENT IN FUNDS	<u>(1,337)</u>	<u>35</u>	<u>186,023</u>	<u>184,721</u>	<u>109,909</u>
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2021	1,353	768	1,200,018	1,202,139	1,092,230
TOTAL FUNDS AT 31 DECEMBER 2021	<u>16</u>	<u>803</u>	<u>1,386,041</u>	<u>1,386,860</u>	<u>1,202,139</u>

The notes on pages 26 to 37 form part of these accounts.

All income and expenditure derive from continuing activities. The statement of financial activities includes all gains and losses recognised during the year and there is no difference between the results for the year stated above and their historical cost equivalents.

Balance Sheet as at 31 December 2021

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2021 Total £'000	2020 Total £'000
FIXED ASSETS					
Tangible Fixed Assets (note 8)	129	-	-	129	123
Investments (note 9)	33,070	-	1,386,579	1,419,649	1,243,613
Programme Related Investments (note 10)	-	-	8	8	16
Total Fixed Assets	<u>33,199</u>	<u>-</u>	<u>1,386,587</u>	<u>1,419,786</u>	<u>1,243,752</u>
CURRENT ASSETS					
Debtors (note 11)	151	-	695	846	2,372
Cash at bank	20,918	1,035	-	21,953	6,687
	<u>21,069</u>	<u>1,035</u>	<u>695</u>	<u>22,799</u>	<u>9,059</u>
CREDITORS					
Amounts falling due within one year (note 12)	(30,550)	(232)	(1,241)	(32,023)	(30,595)
NET CURRENT ASSETS/ (LIABILITIES)	<u>(9,481)</u>	<u>803</u>	<u>(546)</u>	<u>(9,224)</u>	<u>(21,536)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	23,718	803	1,386,041	1,410,562	1,222,216
CREDITORS					
Amounts falling due after one year (note 13)	(23,702)	-	-	(23,702)	(20,077)
NET ASSETS	<u>16</u>	<u>803</u>	<u>1,386,041</u>	<u>1,386,860</u>	<u>1,202,139</u>
FUNDS					
Main Endowment Fund Estates	-	-	1,357,887	1,357,887	1,172,758
Endowment Fund Main	-	-	28,154	28,154	27,260
Unrestricted Fund Estates	16	-	-	16	1,353
Restricted Fund	-	803	-	803	768
TOTAL FUNDS AT 31 DECEMBER 2021	<u>16</u>	<u>803</u>	<u>1,386,041</u>	<u>1,386,860</u>	<u>1,202,139</u>

Approved by the Trustees on 19 July 2022 and signed on their behalf by:

V M Dews

Jonathan Asquith

Vivienne Dews
Chair

Jonathan Asquith
Trustee

The notes on pages 26 to 37 form part of these accounts.

Cashflow Statement for the Year Ended 31 December 2021

	2021 £'000	2020 £'000
Net cash used in operating activities (note 16)	(36,241)	(37,021)
Cash flows from investing activities		
Investment Income received	11,619	9,178
Payments for Investment Management and advice	(10,953)	(4,365)
Purchase of tangible fixed assets	(48)	(43)
Cash withdrawn from fixed asset investments to fund operating costs	50,881	32,676
Repayment of social investments	8	-
Net cash provided by investing activities	51,507	37,446
Change in cash and cash equivalents in the year	15,266	425
Cash and cash equivalents at 1 January 2021	6,687	6,262
Cash and cash equivalents at 31 December 2021	21,953	6,687

The notes on pages 26 to 37 form part of these accounts.

Notes to the Accounts

1. CHARITY INFORMATION

The Charity (registered no. 230102) is a public benefit entity established in the UK as a Trust governed by a Scheme of the Charity Commissioners dated 5 October 2000. It operates from its principal place of business, 65 Leadenhall Street, London EC3A 2AD.

2. ACCOUNTING POLICIES

Basis of Preparation

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain fixed asset investments, and in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Charities Act 2011.

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 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) issued on 16 July 2014 rather than the previous Statement of Recommended Practice: Accounting and Reporting by Charities effective from 1 April 2005 which has since been withdrawn.

Trustees have considered the impact of the Covid-19 pandemic on the Charity's activities and resources. Effects of the crisis on investment performance and grant making activities have been reviewed and included in our risk management framework. These factors have been considered alongside relevant forecasts and budgets and trustees are not aware of any material uncertainties surrounding the Charity's ability to continue as a going concern.

Funds

The Charity's Funds include two permanent endowments. The Main Endowment Fund may be used to support all of the Charity's objects. The Estates Endowment Fund may only be used to support charitable activities in specified, historic parishes in England. The assets of both funds are pooled and managed as a single investment portfolio; investment returns are allocated in proportion to the Funds' asset values. The Estates Restricted Fund reflects funds made available from the Estates Endowment Fund for grant-making which are not yet spent.

The Charity also holds funds to cover the costs of managing legacy activities related to the Equitable Charitable Trust. Once these legacy activities are completed any remaining funds will be made available for grant-making. At 31 December 2020 £151k was held within endowment funds for this purpose.

Income

Dividends are recognised as receivable when a security is listed as ex-dividend. Income from fixed interest investments is recognised when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank or investment fund. Other investment income is recognised when notified as payable to the Charity by the relevant fund managers.

Expenditure

Liabilities are recognised as expenditure when there is a legal or constructive obligation committing the Charity to the expenditure. Grants, both single and multi-year, are recognised in the accounts as liabilities after they have been approved by the Trustees, the recipients have been notified and there are no further terms and conditions to be fulfilled within the control of the Charity. In these circumstances there is a valid expectation by the recipients that they will receive the grant.

Notes to the Accounts

Expenditure on raising funds

Expenditure on raising funds includes the direct costs paid to service providers for managing the investment assets, the direct costs of activities including staff salaries and other expenditure, and an allocation of related support costs. Support costs are allocated according to an estimate of the proportional usage across different activities supported, generally on a staff time basis.

Charitable activities

The cost of charitable activities consists of grants awarded, the direct costs of grant making activities including staff salaries and other expenditure, and an allocation of related support costs.

Investments

Marketable investment assets are included in the financial statements at their fair values, either at closing market prices (listed investments) or through independent valuation (unlisted direct property) or from valuations provided by the investment manager (unlisted hedge funds, private equity and indirect property). Cash held for investment purposes is included within investments. The Charity enters into forward currency contracts to reduce currency exposure in its investment portfolio. The basis of fair value of these forward exchange contracts is estimated by using the gain or loss that would arise from closing the contract at the balance sheet date. All investment and currency gains and losses are recognised as incurred.

Pensions

The Charity operates a defined contribution scheme. Contributions payable to the scheme are included as expenditure in the period in which the Charity receives the related services from the employees.

Irrecoverable VAT

Irrecoverable VAT is included in the Statement of Financial Activities or Fixed Assets within the expenditure to which it relates.

Fixed assets

Leasehold improvements are included at cost and depreciated on a straight-line basis over the remaining term of occupation of the Charity's premises. Fixtures, fittings and equipment are included at cost and depreciated on a straight-line basis over 4 years. Assets below £1,000 in cost are not capitalised. The cost of assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Operating leases

Rental costs of operating leases where the Charity is a lessee are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rental income from operating leases where the Charity is a lessor is recognised on a straight-line basis over the term of the relevant lease.

Key judgements and assumptions

In the application of the charity's accounting policies, Trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

Notes to the Accounts

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods. The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

Valuation of investment properties – these are stated at their estimated fair value based on professional valuations as disclosed in note 9. Commercial Property valuations are prepared by applying an investment yield to the appropriate rental income stream, having regard to the individual asset fundamentals, including inter alia, location, lease length and tenant covenant strength. The relevant investment yield and rental values are determined principally through the use of comparative data.

Valuations for Rural Estates properties let on Assured Shorthold, Farm Business or protected residential tenancies are calculated by applying a discount to the vacant possession value to reflect the degree to which vacant possession is not immediately available. Valuations for properties let under the Agricultural Holdings Act 1986 are prepared by making an assessment of the estimated rental value of the properties, as compared to the current rent passing, and applying to the estimated rental value a valuation yield to reflect the individual characteristics of the property.

Valuation of private equity investments – these are stated at their estimated fair value based on valuations carried out by the fund managers.

Financial instruments

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Financial assets held at amortised cost comprise cash at bank, together with trade and other debtors. Financial liabilities held at amortised cost comprise trade and other creditors.

Investments held as part of an investment portfolio are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure.

3. INVESTMENT INCOME

	2021 £'000	2020 £'000
Equities	3,971	3,189
Fixed Income	470	290
Property	6,559	6,559
	11,000	10,038

Notes to the Accounts

4. EXPENDITURE

	Expenditure on Raising Funds £'000	Grant- making £'000	Governance £'000	Total 2021 £'000	Total 2020 £'000
Grants awarded (note 5)	-	39,800	-	39,800	39,205
Direct costs					
Direct property costs	891	-	-	891	2,029
Investment management, administration and advice	10,062	-	-	10,062	11,704
Staff costs (note 6)	84	935	92	1,111	1,068
Auditors' remuneration*	-	-	38	38	40
Other costs	-	41	87	128	133
	<u>11,037</u>	<u>40,776</u>	<u>217</u>	<u>52,030</u>	<u>54,179</u>
Support costs					
Staff costs (note 6)	18	560	8	586	496
Premises and office services	40	524	17	581	723
	<u>58</u>	<u>1,084</u>	<u>25</u>	<u>1,167</u>	<u>1,219</u>
Total expenditure	<u>11,095</u>	<u>41,860</u>	<u>242</u>	<u>53,197</u>	<u>55,398</u>

* - in the current and previous year the auditors' remuneration was solely for audit services.

5. GRANTS AWARDED

	2021 £'000	2020 £'000
Grants to organisations	38,713	38,380
Grants to individuals	1,440	1,321
Grants returned or cancelled	(353)	(496)
Total Grants Awarded	<u>39,800</u>	<u>39,205</u>

Further analysis of our main grant awards is given in the Trustees' Report and a full listing of grants awarded to organisations is available on our website. This information has not been audited.

Notes to the Accounts

6. STAFF COSTS

	2021 £'000	2020 £'000
Wages and salaries costs	1,326	1,227
Social security costs	144	138
Pension costs	152	131
Other benefits	75	68
	<u>1,697</u>	<u>1,564</u>
The average number of employees		
Generating Funds	1.00	1.00
Grant-making	30.00	29.00
Governance	1.00	1.00
Total	<u>32.00</u>	<u>31.00</u>

The number of employees with emoluments greater than £60,000

£120,000-£130,000	1	-
£110,000-£120,000	-	1
£80,000-£90,000	1	1
£60,000-£70,000	2	1

No pension contributions were outstanding at the year end.

Total remuneration for key management personnel for the year amounted to £484,000 (2020: £469,000).

7. MOVEMENT IN UNAPPLIED TOTAL RETURN

The overall movement in unapplied total return in the year was as follows:

	2021 £'000	2020 £'000
Unapplied total return at 1 January 2021	924,018	812,320
Add: Income received	11,000	10,038
Less: Expenditure on raising funds	(11,095)	(13,882)
Add : Investment gains	226,918	153,242
Unapplied total return before transfer to income	<u>1,150,841</u>	<u>961,718</u>
Less: transfer to income	<u>(40,800)</u>	<u>(37,700)</u>
Unapplied total return at 31 December 2021	1,110,041	924,018
Add: core endowment	276,000	276,000
Endowment assets at 31 December 2021	<u>1,386,041</u>	<u>1,200,218</u>

Notes to the Accounts

The Charity is permitted to adopt a total return approach to its investments by Order of the Charity Commissioners for England and Wales dated 20th December 2006.

8. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost at 1 January 2021	210	258	468
Additions	48	-	48
Disposals	-	-	-
Cost at 31 December 2021	258	258	516
Accumulated depreciation at 1 January 2021	111	234	345
Depreciation charged in the year	37	5	42
Accumulated depreciation at 31 December 2021	148	239	387
Net Book Value at 31 December 2021	110	19	129
Net Book Value at 31 December 2020	99	24	123

9. INVESTMENTS

	2021 £'000	2020 £'000
Listed Investments	410,156	355,177
Unlisted Investments	686,642	629,414
Investment Properties	215,772	196,386
Cash and other balances	107,079	62,636
Total Investments	1,419,649	1,243,613

The movement in market value of investments (excluding cash and other balances) was as follows:

	2021 £'000	2020 £'000
<i>Listed Investments</i>		
Market Value at 1 January 2021	355,177	332,783
Investment gains/(losses) net of fees	60,397	33,842
Additions	26,964	1,933
Disposals	(32,382)	(13,381)
Market Value at 31 December 2021	410,156	355,177

Notes to the Accounts

Unlisted Investments

Market Value at 1 January 2021	629,414	534,205
Investment gains net of fees	147,875	121,452
Additions	79,628	61,555
Disposals	(170,275)	(87,798)

Market Value at 31 December 2021	686,642	629,414
---	----------------	----------------

Investment Properties

Market Value at 1 January 2021	196,386	201,947
Investment gains/(losses) net of fees	20,486	(5,027)
Additions	-	336
Disposals	(1,100)	(870)

Market Value at 31 December 2021	215,772	196,386
---	----------------	----------------

Total gains were made up as follows:	2021	2020
	£'000	£'000

Gains on investment assets	226,918	159,042
Other currency (losses)/gains	-	(5,800)

Investment and currency gains	226,918	153,242
--------------------------------------	----------------	----------------

The market value of listed investments at the year-end was £410m (2020: £355m). None of these were UK-only investments (2020: Nil). The historical cost of listed investments was £244m (2020: £246m).

	2021	2020
	£'000	£'000
Programme Related Investments	8	16

At 31 December 2021 the Charity had nine foreign exchange forward contracts open in eight currencies, with a notional sterling liability of £2.2 million. These contracts were entered into to mitigate the currency risk of being a UK based charity while holding global equity and hedge fund assets in local currencies. These foreign exchange forward contracts have all been revalued at the applicable year-end rates and the resulting unrealised losses are included within the overall value of the investments above. The settlement date for the contracts ranged from 31 January 2022 to 30 June 2022.

Notes to the Accounts

The Charity's direct holdings in property were valued at 31 December by currently Registered RICS Valuers employed by the Charity's property advisers, and in accordance with the RICS Valuation – Professional Standards (January 2014) published by the Royal Institution of Chartered Surveyors.

The Charity has committed to fund up to a further £84m of capital calls from private equity funds. These calls will be funded from the sale of liquid assets across the investment portfolio, and from distributions from private equity funds.

10. DEBTORS

	2021 £'000	2020 £'000
Rents receivable	580	1,199
Other debtors	262	1,002
Prepayments	4	171
	846	2,372

11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Grants payable	30,125	29,603
Accruals	1,604	698
Rental income in advance	294	294
	32,023	30,595

Movements in rental income in advance were as follows:

Balance brought forward at 1 January 2021	294
Released to income in the year	(294)
Deferred in the year	294

Balance carried forward at 31 December 2021	294
---	------------

12. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021 £'000	2020 £'000
Grants payable	23,554	19,910
Accruals and provisions	148	167
	23,702	20,077

Notes to the Accounts

13. MATURITY OF FINANCIAL LIABILITIES

	2021 £'000	2020 £'000
In one year or less, or on demand	32,023	30,595
In more than one year, but not more than two years	16,904	14,275
In more than two years, but not more than five years	6,798	5,709
In more than five years	-	93
	55,725	50,672

The movement in grants payable during the year was as follows:

	2021 £'000	2020 £'000
Grants payable at 1 January 2021	49,513	39,308
Grants awarded	40,153	39,701
Cancelled grants	(353)	(496)
Payments made	(35,634)	(29,000)
Market Value at 31 December 2021	53,679	49,513

14. RELATED PARTY TRANSACTIONS

Expenses of £1,540 (2020: £425) were reimbursed to five Trustee during the year (2020: one) to cover travel and other related costs incurred by them in fulfilment of their duties. The Trustees received no remuneration during the year or in the previous year.

Annual subscription, Grant Award, conference and training expenses totalling £12,609 were paid during the year (2020: £32,170) to the Association of Charitable Foundations, of which N Acland, who served as Director of The Henry Smith Charity during the year, is a Trustee.

15. OPERATING LEASE COMMITMENTS

At year-end the Charity held a lease for its premises expiring in March 2026. Rental payments amounted to £121,000 in 2021 and are contracted to be £191,000 per annum until the end of the lease term.

At year-end the Charity held rental leases on its investment properties under which payments are receivable until lease expiry or term of notice as follows:

Year	Payments receivable in year £000
2022	783
2023	2,245
2024	1,285
2025	823
2024 and subsequently	38,534

The total payments receivable under rental leases at 31 December 2021, until expiry or term of notice for all leases, was £43.7 million.

Notes to the Accounts

16. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2021 £'000	2020 £'000
Net movement in funds	184,721	109,909
Investment gains	(226,918)	(153,242)
Investment income and deposit interest	(11,000)	(10,065)
Investment management and advice	10,953	13,733
Depreciation	42	43
Decrease/(increase) in debtors	907	(863)
Increase in creditors	5,054	9,264
Currency (losses)/gains	-	(5,800)
Net cash flow from operating activities	(36,241)	(37,021)

17. POST BALANCE SHEET EVENT

The Charity received £100m from a bond issued on 10 March 2022 to Metropolitan Life Insurance Company and Metlife Insurance K.K. The Charity will pay annual interest of 2.75% and the balance is repayable in full in 2072.

Notes to the Accounts

18. STATEMENT OF FINANCIAL ACTIVITIES FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	CMC Restricted Fund £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
INCOME						
Investment income (note 3)	-	-	-	10,038	10,038	11,907
Other income	27	-	2,000	-	2,027	129
Transfer to income (note 7)	36,852	848	-	(37,700)	-	-
TOTAL INCOME	36,879	848	2,000	(27,662)	12,065	12,036
EXPENDITURE (note 4)						
Expenditure on raising funds (investment costs)	-	-	-	13,882	13,882	9,111
Charitable activities						
Grant-making	38,661	855	2,000	-	41,516	33,909
TOTAL EXPENDITURE	38,661	855	2,000	13,882	55,398	43,020
Gains on investment and currency assets (note 9)	-	-	-	153,242	153,242	142,377
NET MOVEMENT IN FUNDS	(1,782)	(7)	-	111,698	109,909	111,393
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2020	3,135	775	-	1,088,320	1,092,230	980,837
TOTAL FUNDS AT 31 DECEMBER 2020	1,353	768	-	1,200,018	1,202,139	1,092,230

Notes to the Accounts

19. BALANCE SHEET FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	CMC Restricted Fund £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
FIXED ASSETS						
Tangible Fixed Assets (note 8)	123	-	-	-	123	123
Investments (note 9)	43,307	-	-	1,200,306	1,243,613	1,126,616
Programme Related Investments (note 9)	-	-	-	16	16	16
Total Fixed Assets	43,430	-	-	1,200,322	1,243,752	1,126,755
CURRENT ASSETS						
Debtors (note 10)	780	-	1,000	592	2,372	621
Cash at bank	5,688	999	-	-	6,687	6,262
	6,468	999	1,000	592	9,059	6,883
CREDITORS						
Amounts falling due within one year (note 11)	(28,468)	(231)	(1,000)	(896)	(30,595)	(24,059)
NET CURRENT ASSETS/ (LIABILITIES)	(22,000)	768	-	(304)	(21,536)	(17,176)
TOTAL ASSETS LESS CURRENT LIABILITIES	21,430	768	-	1,200,018	1,222,216	1,109,579
CREDITORS						
Amounts falling due after one year (note 12)	(20,077)	-	-	-	(20,077)	(17,349)
NET ASSETS	1,353	768	-	1,200,018	1,202,139	1,092,230
FUNDS						
Main Endowment Fund	-	-	-	1,172,758	1,172,758	1,063,676
Estates Endowment Fund	-	-	-	27,260	27,260	24,644
Main Unrestricted Fund	1,353	-	-	-	1,353	3,135
Estates Restricted Fund	-	768	-	-	768	775
CMC Restricted Fund	-	-	-	-	-	-
TOTAL FUNDS AT 31 DECEMBER 2020	1,353	768	-	1,200,018	1,202,139	1,092,230

Accounts

THE HENRY SMITH CHARITY
Registered Charity 230102

ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Contents

Chair's Review	1
Report of the Trustees	2
Report of the Auditors	20
Financial Statements	23

Contents

The past year has been beyond challenging for all of us, with no part of UK society unaffected by the Covid-19 pandemic, and long-lasting restrictions on most aspects of life. But I have been extremely proud of the way in which we have risen to that challenge. There was a seamless move from office to home based working for all staff, which continues at the time of writing. The staff have shown great patience and resilience in these difficult circumstances, and it is through their efforts that we were able to continue grant giving without any interruption.

We made total grants of £39.2m, a record. Some of this was made possible by excellent investment performance over recent years, which continued in 2020. In light of the impact of the pandemic on charities we decided to respond with greater flexibility and additional funds. We bid for DCMS Community Match Challenge funds (the first time to our knowledge that the Charity has been a grant applicant) and received £2m, which we matched with additional funding of our own and distributed to some of our existing grant holders, following a survey and application process to understand the additional needs they were meeting, or the income they had lost. We were very impressed by what this revealed about the resilience of many of our grant holders, their dedication and resourcefulness.

In the past year we have been giving more attention to diversity, equity and inclusion, in light particularly of the disparities in impact of the pandemic on different communities. This has involved carefully reviewing our policies and processes. We know that we have more to do, and the Board will be overseeing the implementation of our action plan. During the year we awarded a £2m strategic grant, in partnership with Impetus, for distribution to organisations working to reduce exclusions from school. This seems especially timely following the long disruption to education.

One disappointment has been the drop in applications and grants under our Strengthening Communities programme. We are keen to get more money into the most deprived places. We have made some adjustments to our policies and processes here, and plan to do much more to ensure that organisations working in these areas are aware of the funds available.

We have some exciting plans for the coming years. Working with our Investment Advisers, we have concluded that we can draw additional funds from the endowment without compromising the level of future grant giving. The impacts of the pandemic are likely to be with us for some years, and we have decided that now is the time to increase our funding to the charitable sector.

I should like to conclude with thanks to my fellow Trustees for their support and willingness to embrace new ways of working, both in relation to our grant giving and in our meetings which have been entirely virtual since March 2020. We were sad to say goodbye to Anna McNair Scott, who made a huge contribution to the Charity as County Trustee for Hampshire and leading on our Kindred programme, but we were glad to welcome new trustees, Faisal Rahman and George Roberts, and look forward to the new perspectives they will bring. Above all I should like to thank Nick Acland, and the staff team, along with our volunteer visitors. Without their hard work and dedication none of this would be possible.

Vivienne Dews
Chair

Report of the Trustees

Trustees

J Asquith	E Bolton
B Colgrain	E Davies
V Dews	E Feisal
P Feilden	M Granger
P Hackwood	J P Hordern
B Kernighan	N G H Manns
A McNair Scott (retired Dec 2020)	F Rahman (appointed May 2021)
H Ridha	G Roberts (appointed Jul 2021)

V Dews was also a Director of Henry Smith Trading Limited, the wholly owned subsidiary of the Charity, until its sale on 31 January 2020.

Registered Office

65 Leadenhall Street, London, EC3A 2AD

Website

www.henrysmithcharity.org.uk

Director

N Acland

N Acland was also a Director of Henry Smith Trading Limited, the wholly owned subsidiary of the Charity, until 31 January 2020.

Charity Registration

230102

Bankers:	Bank of Scotland, 8 Lochside Avenue, Edinburgh, EH12 9DJ
Solicitors:	SNR Denton LLP, One Fleet Place, London, EC4M 7WS Veale Wasbrough Vizards LLP, 24 King William Street, London, EC4R 9AT
Auditor:	Crowe U.K. LLP, 55 Ludgate Hill, London EC4M 7JW
Investment Custodian:	Northern Trust, 50 Bank St, London, E14 5NT
Investment Advisers:	Cambridge Associates, 80 Victoria Street, London, SW1E5JL
Property Advisers:	LaSalle Investment Mgt, 33 Cavendish Square, London, W1A 2NF Savills UK Ltd, Stuart House, City Road, Peterborough, PE1 1QF

Report of the Trustees

Overview

Introduction

The Henry Smith Charity was established from a gift of land given during the lifetime of Henry Smith, and bequest upon his death in 1628. Since then, the charity has honoured the spirit of Henry Smith's will, working to combat disadvantage and meet the challenges and opportunities facing people in need throughout the UK. Nearly four centuries after we were first established, The Henry Smith Charity is one of the largest grant-making charities in the UK.

The Henry Smith Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. We achieve this by providing funding to reduce social and economic disadvantage. Our grantees are at the core of our mission and work.

The charity is registered in England and Wales and governed by a Scheme of the Charity Commissioners dated 5 October 2000 which came into effect on 1 January 2001.

Guiding Principles

The Charity has adopted a set of guiding principles which outline how we aim to work as an organisation. They guide our activity, serve as a reference for our ongoing work, and help to ensure that our actions are consistent with our aspirations. These principles underpin all our grant making activities.

- We aim to continue the legacy of philanthropy established by our founder Henry Smith
- We focus on those social problems where there is an opportunity for our money to make a difference
- We endeavour to maximise the effectiveness of our funding
- We seek to be responsive to demand
- We aim to maintain a rational, pragmatic approach
- We aim to be as helpful as possible to those we seek to assist

Trustees

The Charity is required to have between ten and twenty Trustees. The Trustees are listed on page 1 of this report. New Trustees serve up to two terms of five years each, with provision in exceptional cases for a third term of up to five years. Trustees are appointed following a formal recruitment process, including an assessment of the Charity's needs and the mix of skills and experience on the Board. A structured induction programme is provided for all for new Trustees. Board effectiveness is maintained and ensured through regular reviews of both Board and individual Trustee performance, and Trustee training is provided as needed.

Decision Making

The Board is responsible for all major policy decisions and for approving strategy and objectives. They meet four times a year. Main grants are approved by the Board, but significant decision-making authority is also delegated to the following committees:

- Decisions in respect of some of the Charity's smaller grant programmes are delegated to Trustee Committees or appointed Trustees, with recommendations and decisions being reported to the Board.
- The Governance and Nominations Committee is responsible for ensuring good governance of the Charity. The current governance arrangements were reviewed in 2018.
- The Remuneration Committee is responsible for determining the Director's and Senior Managers' remuneration.
- The Investment Committee is responsible for investment policy, asset allocation and performance monitoring.
- The Finance and General Purposes Committee is responsible for budgeting and financial management, organisational policies, staff remuneration, audit and risk management.

Report of the Trustees

Day to day operational activities are delegated to the Director and members of the senior management team, comprising the Head of Finance & Resources, Head of Grants, Head of Grants Administration and Head of Learning & Evaluation, under a formal schedule of delegations.

Statement of Organisational Purpose

In 2019, guided by the recommendation in the Charity Governance Code, we developed a statement of organisational purpose: ***'To use our resources to help people and communities at a time of need and to bring about positive change.'*** We use this statement of purpose to inform and guide our decision making across the organisation.

Public Benefit

Trustees consider the Charity Commission guidance on public benefit when planning future activities, setting grant-making policies and in making grants. The positive social impact anticipated from each grant is considered before a grant is awarded and monitored. This enables Trustees to be confident that the Charity has, through its wide range of grant holders, achieved significant public benefit for a number of vulnerable groups across the UK. A diverse range of public benefit is provided by the hundreds of charities we support each year, as they work to alleviate need and distress, and help people lead more fulfilling lives. A summary of our grant making in 2020 is set out below illustrating the work we have supported.

Response to Covid-19 pandemic

2020 was dominated by the Covid-19 pandemic which continues to have far reaching implications for our grant holders and the people they are working to support.

We are pleased to report that we carried on our grant-making uninterrupted, switching immediately to full home-based remote working. We also quickly signed up to the flexible approach adopted by a number of funders. This gave grant holders greater scope to use grants to address funding shortfalls or to meet changing needs by allowing flexibility on payment schedules and outcome reporting.

We successfully applied for £2m from the DCMS as part of their Community Match Challenge initiative, and awarded an additional 53 grants, (with £10k administration costs) to a total value of £4m to grant holders in England in October 2020. 45 of these grants were made to organisations experiencing an increased need for their services, and 8 were made to organisations experiencing financial challenges to meet the needs of existing beneficiaries. We put in place plans to award similar grants to organisations working in Northern Ireland, Scotland and Wales, and made awards in 2021.

Through our contact with our grant holders we have been kept aware of the impact of the pandemic on those most in need in our society and the lasting impact we can expect to see for many years to come. We have been impressed by the financial resilience of the majority of the organisations we fund, and the extent to which emergency funding from government and elsewhere has been effective in helping small charities over this period. We also recognise the concern that emergency funding and other support will end, while demand for services remains at unprecedented levels.

Finally we have been inspired by the dedication and resourcefulness of so many organisations in adapting their services in order to meet the needs of the people and communities they support.

Report of the Trustees

Diversity, Equity and Inclusion

During the year it became clear that the impact of Covid-19 was falling disproportionately on some of the most deprived communities and in particular Black and Minority Ethnic communities. This fact, as well as the murder of George Floyd in the US and the Black Lives Matter movement in the UK, highlighted the need for us, in common with many other grant-making foundations, to carefully review our practices in the context of Diversity, Equity and Inclusion (DEI).

In response to these events the Board set up a working group consisting of trustees, staff and volunteer visitors. This group reviewed the DEI practices within the charity against the ACF pillars of stronger foundations practice. This resulted in the Board putting in hand a number of actions including approving the following DEI statement:

As a charity working to reduce social and economic disadvantage, the values of diversity, equity and inclusion are central to the ethos of The Henry Smith Charity.

We believe these values should be reflected throughout our whole organisation and in everything we do.

This includes working to address social inequity in all its forms including racial injustice and discrimination.

We recognise that this ambition will not be achieved without self-awareness and work on our part. We are therefore committed to measuring, monitoring and publishing our progress in these areas.

We also commissioned a firm of independent consultants to carry out a diversity audit of the Charity and provide an inclusion report. The report stated that the Henry Smith Charity was viewed by staff as a good place to work and that the Charity made a conscious effort to be inclusive, but there were a number of areas highlighted where improvements were needed. Actions to address these areas for improvement included reviewing recruitment practices to ensure they were accessible to as diverse a group of applicants as possible and also to avoid any unconscious bias. It was also suggested that we undertook training for staff and Trustees in inclusive leadership.

We are now taking action on these issues and developing a DEI strategy for the Charity to ensure we continue to make progress in this area.

We have carried out an analysis of our main grant programme and the extent to which it reaches black and minority ethnic communities and have shared this information with the Funders for Race Equality Alliance. The results of this analysis were positive in terms of the reach of our grant-making but less positive in funding to organisations led by and for black and minority ethnic groups. Future work will include reviewing the accessibility of our application process.

We believe we are making good progress in these areas but recognise that there is further work to be done.

Report of the Trustees

Grant Making Programmes

We awarded grants through a number of different programmes during the year.

Programme	Overview
Main Grants	Grants for organisations that work to reduce social and economic disadvantage. Main grants are divided into two separate programmes: Improving Lives and Strengthening Communities. Each of these programmes has a separate set of priorities and guidelines.
Community Match Challenge (CMC) Grants	Grants for organisations enabling them to continue to deliver established vital services with those most affected by Covid-19, and to deliver new/different services to respond to challenges related to the current crisis. Grants were also given to support charities in high financial need caused by Covid-19, to enable them to continue to operate.
County Grants	Grants for smaller organisations working with disadvantaged people and communities in one of eight English counties with which the Henry Smith Charity has a historical connection.
Holiday Grants	Grants for recreational trips and holidays for groups of children aged 13 and under in the UK who are disabled or disadvantaged. While the programme was suspended during through the year, grants were awarded in the first quarter.
Parish Grants	Grants for local organisations, mainly based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in specified parishes but widened in 2020 to include parishes located in some of the most deprived areas in the UK as highlighted by the indices of deprivation
Clergy and Christian Projects	Grants to support projects that explicitly promote the Christian faith in the UK.
Kindred Grants	Grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Grants are awarded on a means-tested basis.

Grants totalling £39,205,000 were awarded as follows:

Programme	Total Funding Committed
Main Grants	£27,192,000
Strategic Grants	£3,960,000
CMC/Covid-19 Grants	£4,467,000
County Grants	£1,179,000
Holiday Grants	£120,000
Parish Grants	£855,000
Clergy and Christian projects	£1,166,000
Kindred Grants	£762,000
Less: cancelled grants	(£496,000)
Total Grant Awards	£39,205,000

A full list of the grants we made to organisations over the last year along with the detailed criteria for each grant programme is available on our website (<https://www.henrysmithcharity.org.uk/recently-awarded-grants/>).

Report of the Trustees

Achievements and Performance – Main Grants

£27,192,000

Our Main Grants Strategy comprises two programmes: Improving Lives and Strengthening Communities. Each programme has its own priorities and guidelines. In 2020, we made 211 grants – 190 Improving Lives grants and 21 Strengthening Communities grants. We received 983 applications in total, a decrease in numbers compared to 2019.

	Improving Lives	Strengthening Communities	Total
Total number of applications	865	118	983
Total number of grants	190	21	211
Success rate	22%	18%	21%

Almost all grants were for three years and the average 3-year total grant award was £131,000, a slight increase on 2019. The average Improving Lives grant was £132,000. The average Strengthening Communities grant was £108,000.

Continuation grants (repeat grants made to applicants who we currently fund) accounted for 33% of all Main Grants. Continuation grant applicants have significantly higher success rates than non-continuation grant applicants.

Improving Lives

Through the Improving Lives grant programme, we support charitable organisations across the UK to help people for whom other sources of support have failed, been inappropriate or are simply not available. This is our largest funding programme, through which we distribute most of our funds. In 2020, we made **190 Improving Lives grants** in response to **865 applications**.

The Improving Lives programme has six funding priorities, which describe the work we fund and how we want to bring about change for the most disadvantaged people in the greatest need. During the application process grantees must demonstrate how the outcomes they deliver meet one or more of these priority areas:

- **Help at a Critical Moment** - Helping people to rebuild their lives following a crisis, critical moment, trauma or abuse
- **Positive Choices** - Helping people, whose actions or behaviours have led to negative consequences for themselves and others, to make positive choices
- **Accommodation / Housing Support** - Enabling people to work towards or maintain accommodation
- **Employment and Training** - Supporting people to move towards or gain employment
- **Financial Inclusion, Rights & Entitlements** - Supporting people to overcome their financial problems and ensure they can claim their rights and entitlements
- **Support Networks & Family** - Working with people to develop improved support networks and family relationships

Help at a Critical Moment was the most popular priority area in 2020, selected by 58% of applicants and 59% of grant holders. Support Networks and Family was the next most popular, selected by 57% of applicants and 49% of grant holders. This was consistent with 2019. Consistently lower numbers of applicants and grant holders are addressing Accommodation / Housing Support. We are addressing this through our targeted Housing First strategic grantmaking programme. Grants were awarded through this programme in 2020.

Report of the Trustees

Grants can be made for an organisation's running costs (including salaries and overheads) or the costs of a specific project (including staffing costs). In 2020 we awarded 126 grants towards project costs and 64 grants towards organisational running costs.

In 2020 our Improving Lives grants funded projects that plan to directly support **106,407** beneficiaries. We will touch the lives of a further **70,905** beneficiaries through funding running costs of organisations. These are the total numbers of beneficiaries that projects or organisations expect to support over the course of their Henry Smith grant, not the number of beneficiaries directly attributable to our funding.

Compared to the figures for our Improving Lives grants in 2019, the headline beneficiary numbers we expect to reach are higher in 2020. The variance also highlights the challenge of aggregating numbers across grants from a range of different cause areas.

Strengthening Communities

The Strengthening Communities programme supports small grassroots organisations working in the most deprived areas of the UK (measured by national indices of multiple deprivation). We know that smaller organisations rooted in their communities play a vital role in supporting people to make positive changes. We support these organisations to create lasting solutions to both the individuals and the community. We make Running Costs grants only.

In 2020, we made grants to 21 organisations in response to 118 applications, a reduction in both applicant and grant numbers compared to 2019. The proportion of the Main Grants budget going to Strengthening Communities has decreased from 19% in 2018 to 10% in 2020. The average grant value totalled £107,000, a slight decrease compared to 2019. The number of Strengthening Communities applications has fallen steadily since we launched the programme in 2018.

We carried out a review of the programme in 2020 and plan to carry out promotion to increase the number of applications as part of our strategy but also as a response to the disproportionate impact of coronavirus in deprived communities.

Cause Areas Supported

Cause area	Grants	Rejected Applications	Success Rates
Black and Minority Ethnic Communities	9	21	30%
Carers	7	23	23%
Children and Young people	20	152	12%
Disability	13	61	18%
Disadvantaged Communities	40	140	22%
Domestic and Sexual Abuse	22	40	35%
Family Services	36	54	40%
Homelessness	5	35	13%
Learning Disabilities	10	39	20%
LGBTQ	5	6	45%
Mental Health and Wellbeing	9	73	11%
Older People	11	37	23%
Prisoners and Ex-Offenders	5	19	21%
Refugees and Asylum Seekers	14	24	37%
Sex Work, Trafficking and Modern Slavery	2	6	25%
Substance Misuse and Dependency	3	15	17%
Ineligible (outside of criteria)		27	0%
Total	211	772	

Report of the Trustees

Our grant making focus remains relatively broad and responsive. We aim to respond to the needs identified by applicants, and therefore make grants to charities supporting individuals facing disadvantage in diverse areas of their lives.

We continue to see a high demand for grants related to domestic and sexual abuse, family support services, mental health and wellbeing, and children & young people.

Geographical Distribution

As a UK-wide responsive funder running an open grant programme, it is important that we make grants across the UK. The table below shows the number of grants made and applications received in 2020 split by geographical area.

We continue to find that much of the work meeting the greatest need is within the most deprived, mainly urban areas of the UK. In 2020, we made 44% of our grants are made to organisations based in geographical areas in the bottom 20% on the Indices of Multiple Deprivation. The Strengthening Communities programme has a particular focus on areas of deprivation. In 2020, we made 17 of 21 grants to organisations working in the 5% most deprived areas of the country. Applicants working in the 1% most deprived areas had the highest chance of being awarded a grant with a 40% success rate.

We will continue to review the geographical spread of our grant making to ensure that we are receiving applications from all areas of the UK and that our grant making is targeted to need.

Geographical area	Grants	Applications
Crown Dependency	0	1
East Midlands	14	50
East of England	14	46
London	38	105
National	6	51
North East	5	36
North West	26	77
Northern Ireland	5	20
Scotland	26	95
South East	18	88
South West	15	64
Wales	7	37
West Midlands	16	44
Yorkshire and The Humber	21	58
Total	211	772

Grant Assessment

We assess the quality of applications against a wide variety of different criteria to ensure that we are achieving our charitable objectives and that we are making robust, transparent and consistent funding decisions.

Report of the Trustees

Assessment of the organisations is divided into the following headings:

- Vision, mission and strategy
- Integration into the community
- Financial Eligibility
- Budgeting and fundraising

Assessment of the service(s) provided is divided up into the following headings:

- Need for the service
- Description of the service
- Is it clear how the service is making a difference?
- Service impact
- How 'significant' is the difference?
- Monitoring & evaluation quality
- Ability to deliver
- Is the work delivered as intended?

Once an application has passed the initial paper-based assessment, an assessment visit will take place. This enables us to assess the need for the project, ensure the organisation's management and governance are fit for purpose, confirm that the project is sustainable, and the outcomes are both realistic and achievable.

Grant Holders' Progress Reports

Once a grant has been approved grant holders report back to us on their progress annually for the duration of their grant. They report on the numbers of people they helped, activities delivered, beneficiary outcomes, organisational developments, external changes that have affected their work, their financial performance and outlook for the year ahead. They also provide beneficiary case studies.

These reports provide valuable information on issues our grant-holders are facing, and on progress of work supported by our grants. It is pleasing to note that the vast majority of grants have met or exceeded expectations with a small number not having done so but usually for reasons which are well explained and are being addressed.

Learning and Evaluation

In line with the wider voluntary sector we are aware of the need to demonstrate the impact of our work. We require those applying to us to demonstrate the outcomes they are achieving and believe we should apply the same rigour to ourselves. This is a challenge, as our grants cover a wide range of services and groups to relieve poverty, deprivation and disadvantage.

We monitor grant outcomes through our grant progress reporting process. We examine the specific outcomes that organisations have achieved in terms of the number of people they work with and the benefit they provide. The framework we have in place allows us to review performance of grants and collect learning about the organisation, the operating environment and lessons learned. Over time we are able to use the information provided to report on the collective impact of our grant making. We also have enhanced reporting processes for a small number of selected grants.

We monitor our grantmaking throughout the year but also carry out a detailed annual review of our main grants programmes to confirm our understanding of whom and what we are funding. We analyse applications and grants made and use the data to inform our policy-making and future planning. This has been particularly important this year to understand the rapidly changing environment and the impact of coronavirus on our grantholders.

Report of the Trustees

As we build our knowledge and learning from our own grant making, we are also looking to learn from external sources. We are carrying out a series of sector reviews to provide an overview of the context, needs and issues in each of the major sectors we fund. In time this work will allow us to add further clarity to our priorities. We also plan to identify strategic grant opportunities where our funding could have magnified impact. Over the last year we have been developing an internal learning log as a systematic way to collect and store our internal learning.

Achievements and Performance – Other Programmes

County Grants

£1,179,000

The County Grants programme supports the work of small organisations and charities in eight counties with which the Henry Smith Charity has a historical connection. The eight counties are Gloucestershire, Hampshire, Kent, Leicestershire, Suffolk, Surrey, East Sussex and West Sussex. Grants support work with people experiencing social and/or economic disadvantage (people with disabilities, for example) and work that tackles problems in areas of high deprivation broadly in line with our main grant objectives. Grants range from £2,000 to £20,000 with an average grant size of £12,500.

To be eligible to apply for a County Grant, the organisation's annual income must be below £250,000, unless the organisation is working county-wide, in which case its income must be below £1 million. Grant recommendations are made by County Trustees who use their local knowledge to assess the merit of applications; currently the Suffolk and Surrey schemes are administered by the local Community Foundations. County grant recommendations are approved at the quarterly Board meeting.

In 2020, 94 grants were awarded across the eight counties.

County	Grant Number	Grant Amount
East Sussex	16	£84,000
Gloucestershire	6	£110,000
Hampshire	11	£154,000
Kent	24	£284,000
Leicestershire	7	£108,000
Suffolk	10	£120,000
Surrey	10	£186,000
West Sussex	10	£133,000

Grants were used for organisation running costs, salaries, project costs, or one-off small capital expenditure such as building refurbishment or equipment.

During 2020 the Board decided that the small grant programme in the Counties would be progressively closed as County Trustees reached the end of their terms of office. This is in recognition of the fact that the counties are not in the areas of greatest deprivation in the UK. We also felt that the requirement to recruit trustees who are resident in these counties was a significant additional restriction on the field of eligible candidates to serve on our Board.

Holiday Grants

£120,000

The Holiday Grants programme provides grants for short holidays and recreational trips for groups of children aged 13 and under in the UK who are disabled or disadvantaged. In 2020 we made 61 one off grants.

Report of the Trustees

Grants ranged between £500 and £2,500 and were made to schools, youth groups, not for profit organisations and charities. Trips ranged from days out up to week-long stays in activity centres. Due to the impact of Covid-19 only 17 trips benefiting 671 children and young people took place. It is important to us that no child be excluded on financial grounds from a trip we are supporting, and all grants are awarded on this condition. In line with our commitment to be flexible and supportive to our grant holders, we have agreed to changes to dates and duration of trips as necessary.

Clergy and Christian Projects

£1,166,000

The Clergy and Christian Projects grants programme has three elements and in 2020 grants were made as follows:

Programme	Grant Amount
Grants to support individual clergy, managed through Church of England dioceses	£559,000
Bursaries for Church of England Ordinand training	£80,000
Grants to Christian Projects that explicitly promote the Christian faith in the UK	£527,000

In the Christian Projects programme we value projects that set out to nurture and grow people's journey in Christian faith and grow churches, and only support work that comes from a Church of England context, or that is fully ecumenical. There are four priority areas for this fund and all applications must explicitly address one or more of these priorities.

1. Meeting the spiritual needs of older people, including those with dementia
2. Meeting the spiritual needs of those with learning disabilities and those who have cognitive impairments
3. Reaching out to the unchurched – especially young people and young families- by nurturing their spiritual interest and well-being
4. Projects which support and care for Anglican clergy at times of acute need.

Kindred

£762,000

In line with Henry Smith's will, which included a legacy to help members of his family in financial need, we award grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Grants are awarded on a means-tested basis, to address financial need. A free confidential Helpline is also provided as an alternative means of assistance. More than 2,500 kindred are registered with us and over 150 people received financial support in 2020. We were also pleased to introduce an emergency grant scheme for Kindred who were facing financial hardship as a result of the pandemic especially in the period before government support payments reached those in need.

Parish Grants

£855,000

The parish scheme is a separate fund within the endowment, representing approximately 2% of our assets. Under the scheme we distribute annual grants of between £2,000 and £20,000 to over 150 entities, based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in particular parishes. These entities then use the money for the relief of poverty within their designated parish, and report annually how the money was used.

The entities include local ecclesiastical parishes, specially established local Henry Smith Charities and larger grant making organisations such as Trust for London and Cripplegate Foundation. Over 1,000 volunteers administer the local grant-making and more than 5,000 people receive a grant each year.

Report of the Trustees

During the year we continued to offer the opportunity for parishes to apply for supplementary grants to meet additional needs in their area, many of which are more acute due to the impact of Covid-19. In addition we widened the scope of the scheme to cover 19 additional parishes, based in the most deprived areas, who were in a position to make grants to meet the needs of people in their areas.

Strategic Grants

£3,960,000

We are traditionally a responsive grant maker but are willing to use some of our funds in a more proactive and strategic manner, where this can increase the impact of our grant-making. We have been carrying out reviews of our various grant-making areas, which has identified some possibilities for strategic grant-making, and this is an ongoing process which may identify future opportunities also.

We made a strategic grant of £1.9m in early 2020 to support six organisations to run Housing First Programmes over the next four years. In September 2020, we committed £2m to a £3m fund we created with Impetus (another grantmaker focused on improving educational outcomes for young people) – called The Engage Fund. This fund supports charities tackling school exclusions in England.

Community Match Challenge (CMC)/Covid-19 grants

£4,467,000

We successfully applied for £2m of funding from the DCMS under their CMC funding scheme and matched this with £2m from the Charity's reserves, to enable grants totalling £4m to provide support to organisations enabling them to continue to deliver established vital services with those most affected by Covid-19, and to deliver new/different services to respond to challenges related to the crisis. Grants were also given to support charities in high financial need caused by Covid-19, to enable them to continue to operate.

An additional £467k was awarded to organisations ineligible for the CMC scheme, but whose work is meeting additional need through the Covid-19 pandemic.

Report of the Trustees

Plans for Future Development

In 2021 we will operate our grant making programmes as outlined above, while developing our learning and evaluation work and continuing to focus our funding in areas where we can maximise the impact of our grant making. An interim review of our Main Grants Strategy is planned for late 2021.

In response to the Covid-19 pandemic, the Charity has agreed to release additional funds from its endowment, and we will be working up plans for increasing our funding, both to new applicants and through current grant holders. We anticipate that over £30m in additional funding will be released over the next three years.

Having worked primarily from home during most of 2020, we are planning to return to office-based working as and when Covid guidelines are relaxed. We will trial new ways of working which will include continuing with a greater level of working from home than was the case before the pandemic.

Following the completion of the Diversity, Equity & Inclusion (DEI) review in early 2021, we will review our organisational and grant making policies, procedures and processes and put in place an action plan to make changes and improvements where required.

Financial Review

Investments

The Henry Smith Charity is a permanent endowment, with assets held in perpetuity. These assets are the primary funding source for the Charity, so the performance of investments over the long term is vitally important to the long-term sustainability of the Charity, and the impact it can make through the grants it awards.

The Charity operates a Total Return approach to investment, with power to spend both income and capital, provided the core endowment of the fund is maintained. The Charity has power under its Scheme to invest in stocks, shares, funds, securities and other property. The Trustees have appointed professional investment advisors, who advise on investment policy and strategy, asset allocation and the performance of managers.

Investment Policy

The investment portfolio has the primary long-term objective of maximising sustainable spending from the portfolio in order to support grant-making. The secondary long-term objective is to maintain the real value of the fund in perpetuity after spending. The Charity currently aims to spend 4% of the portfolio in grant-making over the long-term and the portfolio has a goal of returning an annual return of CPI+4% over a rolling 5 year period.

It is recognised that in order to achieve the primary objective of sustaining a 4% spending rate over the long term, there will be periods of short-term volatility of investment returns. The investment strategy seeks to build a diversified portfolio that minimises the impact of short-term losses. Given the portfolio's strategic asset allocation and investment strategy it is understood that potential short-term losses are possible (in the order of losses up to 10-15% within a year, during a normal market cycle).

Report of the Trustees

The Charity also recognises that there are several other forms of risk beyond short term volatility that need to be managed as part of the ongoing oversight monitoring process of the portfolio. These risks include the careful management of liquidity, the level of exposure to non-Sterling denominated assets, the level of overall leverage in the portfolio and risks associated with investing alongside investors with different goals.

The Charity has adopted the following policy in relation to Environmental, Social and Governance (ESG) issues, and has communicated the policy to all fund managers with whom it invests.

- We take ESG factors into account when we buy new managers and when assessing existing managers.
- We also review our direct equity investments held via tracker funds to assess which companies we may wish to exclude/engage with.
- We apply a materiality lens to any observations and judgements that we make.

The Trustees have excluded from our directly held investment portfolio companies who have significant involvement (greater than 10% of turnover) in the production or retailing of alcohol or tobacco, gambling or predatory lending. Companies with any involvement in the production or sale of indiscriminate weaponry are also excluded.

Asset Allocation and Strategy

65% of the investment portfolio was allocated to growth assets during the year, to provide longer term returns, with the remaining 35% allocation invested in diversifying assets. Further details are given in note 9 to the accounts.

Total Return Approach to Investing

The Charity operates a Total Return approach to investments, with freedom to invest the entire endowment with the aim of maximising total returns regardless of whether those returns accrue by way of income or capital growth.

Investment Returns for 2020

Investment returns, net of fees, were almost £150m. Total returns for the portfolio for the year were 14.3% (2019: 14.8%) and outperformed the portfolio benchmark by 5.8%. Over the last 3 years the portfolio has exceeded its long-term benchmark of CPI + 4% by 4.4% per annum.

Investment Costs

The Charity aims to maintain transparency over the total fees paid on investments and regularly reviews manager fees to ensure they are matched by performance. All investment performance is reported net of fees to enable us to monitor this closely and take corrective action where necessary.

We spent £13.9m (2019: £9.1m) on our investment fees and costs (excluding our private equity assets). This reflects both fees charged internally within the investment funds as well as fees and costs of £4.3m (2019: £4.1m) paid in cash during the year.

Of the £13.9m, £8.8m was for management of our investments in alternative assets such as hedge funds. These are more expensive than traditional long-only investments, but over time we have obtained good returns with lower volatility, which has more than compensated for the additional fee costs. Fee costs comprise ongoing fees generally set as a fixed percentage of the investment value and additional fees payable only if performance thresholds and hurdles are exceeded. The performance-related fees for our alternative investment assets amounted to £5.8m of the total expenditure, resulting from strong returns in 2020.

Report of the Trustees

For our Private Equity investments, manager fees and profit share for these investments are set against the fund's investment gains as general running costs of these funds. For the sake of transparency we note that a notional proportion of manager fees and profits for this part of the portfolio, based on the Charity's share of fund investments, was equivalent to a base amount of £2.8m (2019: £3.7m) and a performance-related profit share element of £9.8m (2019: £6.1m). The size and increase in this element of the costs is due to the outstanding performance of this part of our portfolio.

"Core Endowment" (endowment funds)

Under the Total Return approach, the Charity must ensure that the value of total endowment funds does not fall below the Core Endowment. The Core Endowment is fixed at £276m, representing the value of the endowment as at 31 December 1991. Endowment funds in excess of the Core Endowment are known as the Unapplied Total Return; these are the accumulated returns from which the Charity may make funds available for grant-making. For internal purposes the value of endowment funds is also compared to an inflation-adjusted measure of the Core Endowment.

The Charity's current policy is to transfer each year from the endowment funds, into the Main Unrestricted and Estates Restricted funds, 4.0% of the total value of the endowment as averaged over the previous 5 years (referred to as the "Distribution Rate"); these funds are then available for grant making and operations. These transfers are funded over time by the total investment returns achieved by the Charity's endowment. The Trustees review the Distribution Rate from time to time and adjust as necessary to take account of prevailing rates of investment return.

The movements in Unapplied Total Return for 2020 are shown in note 7 to the accounts. The Charity transferred £37.7 million into the Main Unrestricted and Estates Restricted funds, calculated at a 4.0% Distribution Rate. For 2021 the Trustees have agreed a transfer of 4.0%, amounting to £39.5 million. At 31 December 2020, the endowment funds of £1.2bn were well in excess of the Core Endowment.

Reserves (grant-making funds)

The Trustees consider that the Charity's endowment funds provide sufficient flexibility should unforeseen circumstances arise to give an urgent need for additional grants or other spend, and the Trustees will consider additional spending from the endowment if the needs arises. This is in addition to the annual distribution policy, which currently provides for a 4% annual distribution. Given the unprecedented circumstances of the Covid pandemic, the Trustees have agreed to withdraw additional funds from the Endowment in 2021 and anticipate doing this until 2024 at the earliest.

The Trustees stated policy is that any unspent amounts from the annual investment distributions should be retained in grant-making funds and spent in future years. The Main Unrestricted fund balance stood at £1.4 million at the year-end and will be fully spent in 2021. The Estates Restricted fund balance, used solely for grants under the Parish programme, stood at £0.8 million at the year-end and will be spent in future years as opportunities for new and increased Parish grants are found.

Risk Management

The Trustees formally review risk on an annual basis as well as when issues arise, and during the year adopted a new risk management framework to enable more effective risk management. The Trustees also meet the auditors during the year to discuss recommendations arising from their annual audit, which inform our approach.

The Trustees have reviewed areas of potential risk for the Charity and concluded that there are sufficient controls in place across the organisation.

Report of the Trustees

One of the key risks identified is that of substantial investment losses, which would reduce the amount of money available for grant-making over the longer-term and hence the impact of the Charity through the grants it awards; to address this the Charity, assisted by its investment adviser, has built a diversified investment portfolio and has put processes in place to monitor cash flow and spending, which should minimise the potential for long term losses.

The investment portfolio has proved to be resilient through the Covid-19 crisis, and the Charity is monitoring other risks which have been heightened by the crisis. This includes business continuity in the event of disaster or other business interruption; a policy and action plan have been adopted to ensure adequate control of this risk and plans were enacted to ensure the ongoing operations of the Charity through the Covid-19 lockdown.

The Charity has been monitoring the performance of grants and the level of applications, as Covid-19 has proved very disruptive to many charities. The majority of the Charity's existing grants have continued to run, though changes to the objectives have been agreed for some grants in response to the changed environment. The level of grant applications remains strong but manageable.

Safeguarding is a key risk area, and a safeguarding policy and training plan are in place.

Work is ongoing with regards to Data Protection and the GDPR legislation. Key areas have been addressed, and work continues to maintain full compliance as the Charity's activities develop over time.

Staff wellbeing has been an area of priority during the Covid-19 pandemic. The Charity continues to monitor staff wellbeing, aiming to provide a supportive and safe working environment despite the difficulties that can arise with protracted working-from-home, along with specific support and tools where this can benefit individuals.

Preparation of the Accounts on a Going Concern Basis

The Charity's normal practice is to distribute no more than 4% of assets annually calculated on a five-year rolling basis, and this was the case in 2020. On occasion, the Charity may make additional distributions, in which case an assessment of affordability and long-term sustainability is carried out, with advice from its investment advisor.

Total assets at 31 December 2020 were well in excess of the £276 million "core endowment" which must be preserved. The Trustees continue to consider the Charity to be a going concern and to prepare the accounts on this basis.

Remuneration of Key Management Personnel and Staffing

The Trustees consider the Board of the Charity and the Senior Management Team (the Director, Head of Grants, Head of Grants Administration, Head of Learning and Evaluation, and Head of Finance & Resources) as comprising the key management personnel of the charity, in charge of directing and controlling the charity and running and operating the charity on a day-to-day basis.

No Trustees are remunerated by the Charity. Remuneration for the Senior Management Team is reviewed annually, with salary increases determined in light of inflation rates and affordability. Salary increases and remuneration levels are reviewed against other grant-making charities of a similar size and activity, to ensure remuneration is fair and not out of line with that generally paid for similar roles.

Average staff numbers increased to 31 in 2020 (2019: 28), as we continued to invest in grant-making capabilities to support our main grants strategy and the development and growth of other programmes. More details are given in note 6 of the accounts.

Report of the Trustees

Conflicts of Interest

From time to time the Charity makes grants to organisations with whom one or more of its Trustees is connected, typically as a trustee or member of staff. The Charity takes steps to ensure that decisions on these grants are made at arms-length, and in accordance with its policies for dealing with potential conflicts of interest

Trading Subsidiary and Fundraising

The Charity established a trading subsidiary in 2016, Henry Smith Trading Ltd, to manage the grant making services it provided to the Trusthouse Charitable Foundation. These services were provided by a separate staff team housed within the Charity. The company was sold on 31 January 2020 and the services are now provided elsewhere. The subsidiary was wholly owned by the Charity, with a share capital of £100, but the results of the subsidiary are not consolidated within these accounts as the overall impact on the financial statements is immaterial. The subsidiary donated £2k under Gift Aid to the Charity in 2020.

The Charity has no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

The Charity's objects and activities for the public benefit

The Charity is constituted as two funds, the Main Fund and Estates Fund. The objects of the Main Fund of the Henry Smith Charity have been changed at various points over the years, while maintaining the spirit of Henry Smith's original bequest. The objects as currently stated in the Charity Commission Scheme of 5 April 2000 are as follows:

- For the relief of the poor kindred of Henry Smith;
- For hospitals, hospices and other forms of residential care or provision of health care for those who are sick or in need and for other institutions providing medical assistance for those in financial need;
- For the relief of poor, aged or sick persons and their spouses, widows, widowers and dependants;
- For the relief of poor, aged or sick members of the clergy and their spouses, widows, widowers and dependants;
- For the relief, rehabilitation and training of disabled persons including disabled ex-Servicemen and war widows;
- For any medical research;
- For the promotion of moral welfare or social service; and
- For the relief and rehabilitation of those persons who are or have been slaves or serfs and their dependants who are in need or distress or for preventing their seizure.

The objects of the Estates Fund of the Henry Smith Charity are as follows:

- For the relief of poor, aged or infirm in specified, historic parishes;
- For the relief of poor, aged or infirm elsewhere in England and Wales;
- For the benefit of hospitals or convalescent homes in the specified, historic parishes; and
- For the benefit of hospitals or convalescent homes elsewhere in England and Wales.

The Charity's objects provide the framework within which more detailed funding priorities are set; these priorities will change from time to time as needs change and the funding landscape shifts. Current priorities for the Charity's grant programmes are set out on the Charity's website.

Report of the Trustees

In summary, the Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. This is achieved by funding organisations that work with people to reduce social and economic disadvantage.

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report 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 and Wales 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 Charity and of the incoming resources and application of resources of the Charity for that period.

In preparing these financial statements, the Trustees are 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are 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.

Approved by the Trustees on 23 September 2021

Vivienne Dews
Chair



Independent Auditor's Report to the Trustees of The Henry Smith Charity

Opinion

We have audited the financial statements of The Henry Smith Charity ('the charity') for the year ended 31 December 2020 which comprise the Statement of Financial Activities, Charity Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2020 and of the charity's income and receipt of endowments and expenditure, 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.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Trustees of The Henry Smith Charity

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustee's report; or
- sufficient and proper accounting records have not been kept by the parent charity; 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.

Responsibilities of the trustees

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

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity for fraud.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and other management and inspection of regulatory and legal correspondence, if any.

Independent Auditor's Report to the Trustees of The Henry Smith Charity

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance and General Purposes Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charity's trustee, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor

London

5 October 2021

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Statement of Financial Activities for the Year Ended 31 December 2020

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	CMC Restricted Fund £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
INCOME						
Investment income (note 3)	-	-	-	10,038	10,038	11,907
Other income	27	-	2,000	-	2,027	129
Transfer to income (note 7)	36,852	848	-	(37,700)	-	-
TOTAL INCOME	36,879	848	2,000	(27,662)	12,065	12,036
EXPENDITURE (note 4)						
Expenditure on raising funds (investment costs)	-	-	-	13,882	13,882	9,111
Charitable activities						
Grant-making	38,661	855	2,000	-	41,516	33,909
TOTAL EXPENDITURE	38,661	855	2,000	13,882	55,398	43,020
Gains on investment and currency assets (note 9)	-	-	-	153,242	153,242	142,377
NET MOVEMENT IN FUNDS	(1,782)	(7)	-	111,698	109,909	111,393
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2020	3,135	775	-	1,088,320	1,092,230	980,837
TOTAL FUNDS AT 31 DECEMBER 2020	1,353	768	-	1,200,018	1,202,139	1,092,230

The notes on pages 26 to 37 form part of these accounts.

All income and expenditure derive from continuing activities. The statement of financial activities includes all gains and losses recognised during the year and there is no difference between the results for the year stated above and their historical cost equivalents.

Balance Sheet as at 31 December 2020

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	CMC Restricted Fund £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
FIXED ASSETS						
Tangible Fixed Assets (note 8)	123	-	-	-	123	123
Investments (note 9)	43,307	-	-	1,200,306	1,243,613	1,126,616
Programme Related Investments (note 9)	-	-	-	16	16	16
Total Fixed Assets	<u>43,430</u>	<u>-</u>	<u>-</u>	<u>1,200,322</u>	<u>1,243,752</u>	<u>1,126,755</u>
CURRENT ASSETS Debtors (note 10)	780	-	1,000	592	2,372	621
Cash at bank	5,688	999	-	-	6,687	6,262
	<u>6,468</u>	<u>999</u>	<u>1,000</u>	<u>592</u>	<u>9,059</u>	<u>6,883</u>
CREDITORS						
Amounts falling due within one year (note 11)	(28,468)	(231)	(1,000)	(896)	(30,595)	(24,059)
NET CURRENT ASSETS/ (LIABILITIES)	<u>(22,000)</u>	<u>768</u>	<u>-</u>	<u>(304)</u>	<u>(21,536)</u>	<u>(17,176)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	21,430	768	-	1,200,018	1,222,216	1,109,579
CREDITORS						
Amounts falling due after one year (note 12)	(20,077)	-	-	-	(20,077)	(17,349)
NET ASSETS	<u>1,353</u>	<u>768</u>	<u>-</u>	<u>1,200,018</u>	<u>1,202,139</u>	<u>1,092,230</u>
FUNDS						
Main Endowment Fund	-	-	-	1,172,758	1,172,758	1,063,676
Estates Endowment Fund	-	-	-	27,260	27,260	24,644
Main Unrestricted Fund	1,353	-	-	-	1,353	3,135
Estates Restricted Fund	-	768	-	-	768	775
CMC Restricted Fund	-	-	-	-	-	-
TOTAL FUNDS AT 31 DECEMBER 2020	<u>1,353</u>	<u>768</u>	<u>-</u>	<u>1,200,018</u>	<u>1,202,139</u>	<u>1,092,230</u>

Approved by the Trustees on 23 September 2021 and signed on their behalf by:

V M Dews

Vivienne Dews
Chair

B. Kernighan

Ben Kernighan
Trustee

The notes on pages 26 to 37 form part of these accounts.

Cashflow Statement for the Year Ended 31 December 2020

	2020 £'000	2019 £'000
Net cash used in operating activities (note 16)	(37,021)	(32,689)
Cash flows from investing activities		
Investment Income received	9,178	11,987
Payments for Investment Management and advice	(4,365)	(4,122)
Purchase of tangible fixed assets	(43)	(69)
Cash withdrawn from fixed asset investments to fund operating costs	32,676	24,434
Repayment of social investments	-	4
Net cash provided by investing activities	37,446	32,234
Change in cash and cash equivalents in the year	425	(455)
Cash and cash equivalents at 1 January 2020	6,262	6,717
Cash and cash equivalents at 31 December 2020	6,687	6,262

The notes on pages 26 to 37 form part of these accounts.

Notes to the Accounts

1. CHARITY INFORMATION

The Charity (registered no. 230102) is a public benefit entity established in the UK as a Trust governed by a Scheme of the Charity Commissioners dated 5 October 2000. It operates from its principal place of business, 65 Leadenhall Street, London EC3A 2AD.

2. ACCOUNTING POLICIES

Basis of Preparation

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain fixed asset investments, and in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Charities Act 2011.

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 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) issued on 16 July 2014 rather than the previous Statement of Recommended Practice: Accounting and Reporting by Charities effective from 1 April 2005 which has since been withdrawn.

Trustees have considered the impact of the Covid-19 pandemic on the Charity's activities and resources. Effects of the crisis on investment performance and grant making activities have been reviewed and included in our risk management framework. These factors have been considered alongside relevant forecasts and budgets and trustees are not aware of any material uncertainties surrounding the Charity's ability to continue as a going concern.

During 2016 a trading subsidiary, Henry Smith Trading Limited, was established with a share capital of £100, company number 10153657 and registered address at 65 Leadenhall St, London, EC3A 2AD, and was wholly owned by the Charity until its sale on 31 January 2020. The results of the trading subsidiary are not consolidated as the impact on the financial statements is immaterial. More details are given in note 9.

Funds

The Charity's Funds include two permanent endowments. The Main Endowment Fund may be used to support all the Charity's objects. The Estates Endowment Fund may only be used to support charitable activities in specified, historic parishes in England. The assets of both funds are pooled and managed as a single investment portfolio; investment returns are allocated in proportion to the Funds' asset values. The Estates Restricted Fund reflects funds made available from the Estates Endowment Fund for grant-making which are not yet spent.

The CMC Restricted Fund represents funding provided by DMCS for grant-making to address the impact of the Covid-19 pandemic. £2m was received from DCMS and awarded in grants during the year. A further £2m of grants, matching the DCMS-funded grants, were funded from the Charity's Unrestricted Fund.

The Charity also holds funds to cover the costs of managing legacy activities related to the Equitable Charitable Trust. Once these legacy activities are completed any remaining funds will be made available for grant-making. At 31 December 2020 £151k was held within endowment funds for this purpose.

Income

Dividends are recognised as receivable when a security is listed as ex-dividend. Income from fixed interest investments is recognised when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank or investment fund. Other investment income is recognised when notified as payable to the Charity by the relevant fund managers. Other income includes fees for administration services provided to Henry Smith Trading Limited and is recognised in line with the service provided.

Notes to the Accounts

Expenditure

Liabilities are recognised as expenditure when there is a legal or constructive obligation committing the Charity to the expenditure. Grants, both single and multi-year, are recognised in the accounts as liabilities after they have been approved by the Trustees, the recipients have been notified and there are no further terms and conditions to be fulfilled within the control of the Charity. In these circumstances there is a valid expectation by the recipients that they will receive the grant.

Expenditure on raising funds

Expenditure on raising funds includes the direct costs paid to service providers for managing the investment assets, the direct costs of activities including staff salaries and other expenditure, and an allocation of related support costs. Support costs are allocated according to an estimate of the proportional usage across different activities supported, generally on a staff time basis.

Charitable activities

The cost of charitable activities consists of grants awarded, the direct costs of grant making activities including staff salaries and other expenditure, and an allocation of related support costs.

Investments

Marketable investment assets are included in the financial statements at their fair values, either at closing market prices (listed investments) or through independent valuation (unlisted direct property) or from valuations provided by the investment manager (unlisted hedge funds, private equity and indirect property). Cash held for investment purposes is included within investments. The Charity enters into forward currency contracts to reduce currency exposure in its investment portfolio. The basis of fair value of these forward exchange contracts is estimated by using the gain or loss that would arise from closing the contract at the balance sheet date. All investment and currency gains and losses are recognised as incurred.

Pensions

The Charity operates a defined contribution scheme. Contributions payable to the scheme are included as expenditure in the period in which the Charity receives the related services from the employees.

Irrecoverable VAT

Irrecoverable VAT is included in the Statement of Financial Activities or Fixed Assets within the expenditure to which it relates.

Fixed assets

Leasehold improvements are included at cost and depreciated on a straight-line basis over the remaining term of occupation of the Charity's premises. Fixtures, fittings and equipment are included at cost and depreciated on a straight-line basis over 4 years. Assets below £1,000 in cost are not capitalised. The cost of assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Operating leases

Rental costs of operating leases where the Charity is a lessee are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rental income from operating leases where the Charity is a lessor is recognised on a straight-line basis over the term of the relevant lease.

Notes to the Accounts

Key judgements and assumptions

In the application of the charity's accounting policies, Trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods. The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

Valuation of investment properties – these are stated at their estimated fair value based on professional valuations as disclosed in note 9. Commercial Property valuations are prepared by applying an investment yield to the appropriate rental income stream, having regard to the individual asset fundamentals, including inter alia, location, lease length and tenant covenant strength. The relevant investment yield and rental values are determined principally through the use of comparative data.

Valuations for Rural Estates properties let on Assured Shorthold, Farm Business or protected residential tenancies are calculated by applying a discount to the vacant possession value to reflect the degree to which vacant possession is not immediately available. Valuations for properties let under the Agricultural Holdings Act 1986 are prepared by making an assessment of the estimated rental value of the properties, as compared to the current rent passing, and applying to the estimated rental value a valuation yield to reflect the individual characteristics of the property.

Valuation of private equity investments – these are stated at their estimated fair value based on valuations carried out by the fund managers.

Financial instruments

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Financial assets held at amortised cost comprise cash at bank, together with trade and other debtors. Financial liabilities held at amortised cost comprise trade and other creditors.

Investments held as part of an investment portfolio are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure.

3. INVESTMENT INCOME

	2020 £'000	2019 £'000
Equities	3,189	5,038
Fixed Income	290	457
Property	6,559	6,412
	<u>10,038</u>	<u>11,907</u>

Notes to the Accounts

4. EXPENDITURE

	Expenditure on Raising Funds £'000	Grant- making £'000	Governance £'000	Total 2020 £'000	Total 2019 £'000
Grants awarded (note 5)	-	39,205	-	39,205	31,706
Direct costs					
Direct property costs	2,029	-	-	2,029	929
Investment management, administration and advice	11,704	-	-	11,704	8,041
Staff costs (note 6)	82	894	92	1,068	993
Auditors' remuneration	-	-	40	40	36
Other costs	-	91	42	133	210
	<u>13,815</u>	<u>40,190</u>	<u>174</u>	<u>54,179</u>	<u>41,915</u>
Support costs					
Staff costs (note 6)	17	472	7	496	483
Premises and office services	50	651	22	723	622
	<u>67</u>	<u>1,123</u>	<u>29</u>	<u>1,219</u>	<u>1,105</u>
Total expenditure	<u>13,882</u>	<u>41,313</u>	<u>203</u>	<u>55,398</u>	<u>43,020</u>

5. GRANTS AWARDED

	2020 £'000	2019 £'000
Grants to organisations	38,380	30,646
Grants to individuals	1,321	1,371
Grants returned or cancelled	(496)	(311)
Total Grants Awarded	<u>39,205</u>	<u>31,706</u>

Further analysis of our main grant awards is given in the Trustees' Report and a full listing of grants awarded to organisations is available on our website. This information has not been audited.

Notes to the Accounts

6. STAFF COSTS

	2020 £'000	2019 £'000
Wages and salaries costs	1,227	1,166
Social security costs	138	118
Pension costs	131	125
Other benefits	68	67
	<u>1,564</u>	<u>1,476</u>
The average number of employees		
Generating Funds	1.00	1.00
Grant-making	29.00	26.00
Governance	1.00	1.00
Total	<u>31.00</u>	<u>28.00</u>

The number of employees with emoluments greater than £60,000

£110,000-£120,000	1	1
£80,000-£90,000	1	1
£60,000-£70,000	1	1

No pension contributions were outstanding at the year end.

Total remuneration for key management personnel for the year amounted to £469,000 (2019: £463,000).

7. MOVEMENT IN UNAPPLIED TOTAL RETURN

The overall movement in unapplied total return in the year was as follows:

	2020 £'000	2019 £'000
Unapplied total return at 1 January 2020	812,320	702,877
Add: Income received	10,038	11,977
Less: Costs of raising funds	(13,882)	(9,111)
Add : Investment gains	153,242	142,377
Unapplied total return before transfer to income	<u>961,718</u>	<u>848,120</u>
Less: transfer to income	<u>(37,700)</u>	<u>(35,800)</u>
Unapplied total return at 31 December 2020	924,018	812,320
Add: core endowment	276,000	276,000
Endowment assets at 31 December 2020	<u>1,200,018</u>	<u>1,088,320</u>

Notes to the Accounts

The Charity is permitted to adopt a total return approach to its investments by Order of the Charity Commissioners for England and Wales dated 20th December 2006.

8. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost at 1 January 2020	161	264	425
Additions	49	-	49
Disposals	-	(6)	(6)
Cost at 31 December 2020	<u>210</u>	<u>258</u>	<u>468</u>
Accumulated depreciation at 1 January 2020	73	229	302
Depreciation charged in the year	38	5	43
Accumulated depreciation at 31 December 2020	<u>111</u>	<u>234</u>	<u>345</u>
Net Book Value at 31 December 2020	<u>99</u>	<u>24</u>	<u>123</u>
Net Book Value at 31 December 2019	<u>88</u>	<u>35</u>	<u>123</u>

9. INVESTMENTS

	2020 £'000	2019 £'000
Listed Investments	355,177	332,783
Unlisted Investments	629,414	534,205
Investment Properties	196,386	201,947
Cash and other balances	62,636	57,681
Total Investments	<u>1,243,613</u>	<u>1,126,616</u>

The movement in market value of investments (excluding cash and other balances) was as follows:

	2020 £'000	2019 £'000
<i>Listed Investments</i>		
Market Value at 1 January 2019	332,783	355,786
Investment gains/(losses) net of fees	33,842	47,459
Additions	1,933	118,244
Disposals	(13,381)	(188,706)
Market Value at 31 December 2020	<u>355,177</u>	<u>332,783</u>

Notes to the Accounts

Unlisted Investments

Market Value at 1 January 2020	534,205	420,258
Investment gains net of fees	121,452	65,929
Additions	61,555	160,856
Disposals	(87,798)	(112,838)

Market Value at 31 December 2020	629,414	534,205
---	----------------	----------------

Investment Properties

Market Value at 1 January 2020	201,947	176,593
Investment gains/(losses) net of fees	(4,434)	26,741
Additions	336	-
Disposals	(1,463)	(1,387)

Market Value at 31 December 2020	196,386	201,947
---	----------------	----------------

Total gains were made up as follows:	2020	2019
	£'000	£'000

Gains on investment assets	159,042	144,978
Other currency (losses)/gains	(5,800)	(2,601)

Investment and currency gains	153,242	142,377
--------------------------------------	----------------	----------------

The market value of listed investments at the year-end was £355m (2019: £333m). None of these were UK-only investments (2019: Nil). The historical cost of listed investments was £246m (2019: £253m).

	2020	2019
	£'000	£'000
Programme Related Investments	16	16

At 31 December 2020 the Charity had nine foreign exchange forward contracts open in eight currencies, with a notional sterling asset of £13.5 million. These contracts were entered into to mitigate the currency risk of being a UK based charity while holding global equity and hedge fund assets in local currencies. These foreign exchange forward contracts have all been revalued at the applicable year-end rates and the resulting unrealised gains are included within the overall value of the investments above. The settlement date for the contracts ranged from 31 January 2021 to 30 June 2021.

The Charity's direct holdings in property were valued at 31 December by currently Registered RICS Valuers employed by the Charity's property advisers, and in accordance with the RICS Valuation – Professional Standards (January 2014) published by the Royal Institution of Chartered Surveyors.

Notes to the Accounts

The Charity has committed to fund up to a further £103m of capital calls from private equity funds. These calls will be funded from the sale of liquid assets across the investment portfolio, and from distributions from private equity funds.

During the year the Charity held 100 ordinary shares, comprising 100% of the share capital, in Henry Smith Trading Limited whose registered office was at 65 Leadenhall St, London, EC3A 2AD. The company was sold on 31 January 2020. £2,000 was donated to the Charity under Gift Aid during 2020.

10. DEBTORS

	2020 £'000	2019 £'000
Rents receivable	1,199	311
Other debtors	1,002	69
Prepayments	171	241
	2,372	621

11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Grants payable	29,603	22,144
Accruals	698	1,632
Rental income in advance	294	283
	30,595	24,059

Movements in rental income in advance were as follows:

Balance brought forward at 1 January 2020	283
Released to income in the year	(283)
Deferred in the year	294
Balance carried forward at 31 December 2020	294

12. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Grants payable	19,910	17,164
Accruals and provisions	167	185
	20,077	17,349

Notes to the Accounts

13. MATURITY OF FINANCIAL LIABILITIES

	2020 £'000	2019 £'000
In one year or less, or on demand	30,595	24,059
In more than one year, but not more than two years	14,275	12,561
In more than two years, but not more than five years	5,709	4,675
In more than five years	93	113
	<u>50,672</u>	<u>41,408</u>

The movement in grants payable during the year was as follows:

	2020 £'000	2019 £'000
Grants payable at 1 January 2020	39,308	35,982
Grants awarded	39,701	32,017
Cancelled grants	(496)	(311)
Payments made	(29,000)	(28,380)
Market Value at 31 December 2020	<u>49,513</u>	<u>39,308</u>

14. RELATED PARTY TRANSACTIONS

Expenses of £425 (2019: £3,964) were reimbursed to one Trustee during the year (2019: four) to cover travel and other related costs incurred by them in fulfilment of their duties. The Trustees received no remuneration during the year or in the previous year.

Annual subscription, grant awards, conference and training expenses totalling £32,170 were paid during the year (2019: £13,058) to the Association of Charitable Foundations, of which N Acland, Director of The Henry Smith Charity, is a Trustee.

During the year costs of £12k (2019: £52k) from the Charity were recharged to Henry Smith Trading Limited in relation to its management and administration. D Allam and V Dews, Trustees of The Henry Smith Charity, and N Acland, Director of The Henry Smith Charity, were also Directors of Henry Smith Trading Limited until its sale in January 2020.

Notes to the Accounts

15. OPERATING LEASE COMMITMENTS

At year-end the Charity held a lease for its premises expiring in March 2026. Rental payments amounted to £220,000 in 2020 and are contracted to be £191,000 per annum until the end of the lease term.

At year-end the Charity held rental leases on its investment properties under which payments are receivable until lease expiry or term of notice as follows:

Year	Payments receivable in year £000
2021	1,632
2022	3,340
2023	611
2024	1,208
2025 and subsequently	44,804

The total payments receivable under rental leases at 31 December 2020, until expiry or term of notice for all leases, was £51.6 million.

16. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2020 £'000	2019 £'000
Net movement in funds	109,909	111,393
Investment gains	(153,242)	(142,377)
Investment income and deposit interest	(10,065)	(11,966)
Investment management and advice	13,733	8,970
Depreciation	43	33
Decrease/(increase) in debtors	(863)	329
Increase in creditors	9,264	3,530
Currency (losses)/gains	(5,800)	(2,601)
Net cash flow from operating activities	(37,021)	(32,689)

Notes to the Accounts

17. STATEMENT OF FINANCIAL ACTIVITIES FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2019 Total £'000	Restated 2018 Total £'000
INCOME					
Investment income (note 3)	-	-	11,907	11,907	12,986
Other income	59	-	70	129	116
Transfer to income (note 7)	34,995	805	(35,800)	-	-
TOTAL INCOME	35,054	805	(23,823)	12,036	13,102
EXPENDITURE (note 4)					
Expenditure on raising funds (investment costs)	-	-	9,111	9,111	7,677
Charitable activities					
Grant-making	33,309	600	-	33,909	33,640
TOTAL EXPENDITURE	33,309	600	9,111	43,020	41,317
Gains/(losses) on investment and currency assets (note 9)	-	-	142,377	142,377	(1,890)
NET MOVEMENT IN FUNDS	1,745	205	109,443	111,393	(30,105)
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2019	1,390	570	978,877	980,837	1,010,942
TOTAL FUNDS AT 31 DECEMBER 2019	3,135	775	1,088,320	1,092,230	980,837

Notes to the Accounts

18. BALANCE SHEET FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2019 Total £'000	2018 Total £'000
FIXED ASSETS					
Tangible Fixed Assets (note 8)	123	-	-	123	87
Investments (note 9)	37,644	-	1,088,972	1,126,616	1,010,921
Programme Related Investments (note 9)	-	-	16	16	20
Total Fixed Assets	37,767	-	1,088,988	1,126,755	1,011,028
CURRENT ASSETS					
Debtors (note 10)	197	-	424	621	970
Cash at bank	5,306	956	-	6,262	6,717
	5,503	956	424	6,883	7,687
CREDITORS					
Amounts falling due within one year (note 11)	(22,786)	(181)	(1,092)	(24,059)	(24,692)
NET CURRENT ASSETS/ (LIABILITIES)	(17,283)	775	(668)	(17,176)	(17,005)
TOTAL ASSETS LESS CURRENT LIABILITIES	20,484	775	1,088,320	1,109,579	994,023
CREDITORS					
Amounts falling due after one year (note 12)	(17,349)	-	-	(17,349)	(13,186)
NET ASSETS	3,135	775	1,088,320	1,092,230	980,837
FUNDS					
Main Endowment Fund	-	-	1,063,676	1,063,676	956,758
Estates Endowment Fund	-	-	24,644	24,644	22,119
Main Unrestricted Fund	3,135	-	-	3,135	1,390
Estates Restricted Fund	-	775	-	775	570
TOTAL FUNDS AT 31 DECEMBER 2019	3,135	775	1,088,320	1,092,230	980,837