

The Henry Smith Charity

founded in 1628

Annual Report & Financial Statements for the Year Ended 31st December 2022

THE HENRY SMITH CHARITY
Registered Charity 230102

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

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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.

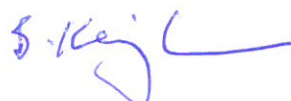
Balance Sheet as at 31 December 2022

	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

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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
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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
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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
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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>