power to change | business in community hands

COMMUNITY FUND

Annual report 2018

Four years of supporting community business

Contents

Message from the Chair and Chief Executive: 2018 in review

Four years on from the launch of Power to Change, we are delighted to see continued strong growth in the community business market.

From 5,650 in 2015, we estimate that the sector now comprises 7,800 community businesses and they see a bright future for themselves. Two thirds are confident about their financial prospects for the year ahead and three quarters expect their income to increase, an optimism that is in stark contrast to other business sectors.

This is welcome news given the significant challenges we face as a country: stark income inequality, a polarised society and the urgent challenge of climate change. The potential of community businesses to create a more inclusive type of growth that respects people and planet is needed more than ever.

Delivering Impact

Since 2015, Power to Change has made investments in 664 community businesses, totalling £47 million. We are committed to putting our money to work where it can have greatest impact, with 63% of our investments in the 30% most deprived parts of the country. In 2018, we took stock and published the first of three planned impact reports (the other two will be published in 2020 and 2022). It is still early days and there is still much that we have to understand but early indications are promising.

Engagement with Power to Change creates stronger community businesses. Those who have been supported through our Community Business Fund, our largest programme, show increases in average income, are trading more with the public sector and have more part time employees and local volunteers as a result of our funding.

> A number of community businesses that we funded in our early years have used that support to become self-sustaining, cementing their positive impact in the community for the long term.

We are also pleased that community businesses report that their association with Power to Change has a strong positive impact on their profile. A number of community businesses that we funded in our early years have used that support to become self-sustaining, cementing their positive impact in the community for the long term. Notable examples include: Hampstead Norreys community shop in Berkshire, Homebaked community bakery in Liverpool and Stocksbridge Leisure Centre just outside Sheffield.

664

Since 2015, Power to Change has made investments in 664 community businesses, totalling £47 million.

Our investment has also driven significant growth in key market sectors. For example, our More than a Pub programme has stimulated expansion of the community pubs sector by 135% in just three years. At the end of 2018, 35 pubs had come into community ownership thanks to the More than a Pub programme, providing a space for people to meet and generating social connections in often isolated areas. Our investment in community energy will see up to nine solar farms transferred into community hands over the next three to five years. Putting these solar farms into community ownership will generate millions of pounds worth of benefit for local people in the communities concerned.

Developing the market

We continue to support individual community businesses throughout their life course, providing different kinds of finance to meet need at different stages. In addition, we seek to add value to community businesses by developing the wider market to make it easier for them to get the support they need to start up and grow.

We have invested in the development of new infrastructure for the sector. We attracted praise and support from the Ministry of Housing, Communities and Local Government (MHCLG) for Keep It in the Community, an online registry of Assets of Community Value to make it easier for local authorities and community members to know what assets are in their local area. We are doing the same in our focus sectors: community-led housing and community energy. For example, we have supported the creation of a community-owned asset manager for the community energy sector.

We use our funding and influence to bring new actors into the community business market, for example corporate mentors from Marks and Spencer, Barclays and Experian. They bring valuable new skills and expertise to community businesses across the country.

Finally, our Research Institute is able to use its national position to benchmark data from community businesses across England, creating valuable tools to support the growth and impact of the sector. For example, we have published a series of success guides focused on different elements of the community business model, including room hire and running a community cafe.

Creating a more enabling environment

Another important strand of our work is to create a more enabling environment for community businesses. To do this, we engage extensively with central government to shape national policy and funding priorities. Our research on the community-led housing pipeline was instrumental in unlocking £163 million for the Homes England Community Housing Fund.

In our ten priority places, we are working closely with Local Authorities, Local Enterprise Partnerships, Combined Authorities and other local and regional stakeholders to connect community businesses to the strategic priorities of those key bodies and to unlock new sources of funding and support. We also seek to raise awareness with members of the public to encourage more people to become volunteers, trustees, shareholders and users of community businesses in their local area. In 2018, 17,000 people visited 225 community businesses as part of Community Business Weekend, our annual open doors weekend.

Four years into our journey, we can see real progress in delivering our vision of creating better places through community businesses. This is thanks to the hard work, dedication and passion of our staff team, Trustee Directors, partners and, most importantly, community businesses themselves. We have learnt a huge amount in our first four years and continue to invest in learning how best to support the community business market place to grow and thrive.

We have exciting, ambitious plans for 2019 that we hope will enable us to continue to demonstrate strong, positive impact across the community business market and in communities across England.

Stephen Howard
Chair

Vidhya Alakeson
Chief Executive

> Four years into our journey, we can see real progress in delivering our vision of creating better places through community businesses.

Our vision and values

Our vision is to create better places through community business with three long term objectives:

Growing the sector

To grow the sector such that there is a greater number of sustainable community businesses delivering significant social, economic and environmental impact.

Transforming places

To demonstrate that community businesses can transform places through positive economic, social and environmental impact.

Making the case

To inform and influence the general public, government, business and other funders that community business can be a powerful force for change, such that they increase their investment in, and commitment to, the community business sector.

Our values

At Power to Change, we believe that having values, embedding them and the behaviours that go with them in all aspects of our operations, both internally and externally, will help us to achieve our vision successfully.

We are open

We are transparent about our decision-making. We share knowledge and learning, including what has not worked.

We are collaborative

We work across sectors and respect others' knowledge and experience. We encourage others who share our vision in order to bring about change.

We are bold

We experiment, take risks and test new ideas. We move quickly to take advantage of opportunities.

We are informed

We learn from research and from our delivery. We are responsive and adapt to what we've learned.

How we delivered against our priorities in 2018

In our 2017 annual report, we laid out the key areas we would focus on in 2018 to support our long-term objectives.

Here we report on our performance against those priorities by theme: sector, place, cross cutting themes, open access and movement building.

Sector	Five year goal	Focus in 2018	What we achieved
Housing	Community-led housing is seen as a viable proposition by the housing sector, national and local government.	Invest in feasibility and pre-development grants in five areas including Bristol and Leeds.	We have supported: i) three consortia to set up and run local community led housing enablers in Bristol, Birmingham and Leeds and preparatory work in Leeds and Tees Valley. ii) eleven community led housing initiatives at feasibility and pre-development stage that are all progressing, with three developing approaches that will transform their neighbourhoods and produce models that can be replicated elsewhere in England. iii) research that has strengthened the evidence base to secure government funding for the community led housing sector.
Energy	Community ownership of renewable energy is recognised as a viable alternative to large energy providers.	CORE joint venture to continue purchasing solar assets which will ultimately be transferred to community ownership. An energy programme will also be established to support emerging community energy businesses.	CORE acquired a further three solar farms during 2018 to add to its portfolio. Our Next Generation Fund to support new community energy business models opened for applications on 19 November 2018.

Sector (continued)	Five year goal	Focus in 2018	What we achieved
Health and social care	Community-owned models have demonstrated they can deliver improved health and social care outcomes that are viable in the long term.	Support a small number of social care organisations to become community businesses. Run a Community of Practice for promising approaches that could be delivered through a community business model.	In 2018 we supported two health and social care organisations to diversify income streams and become more sustainable. We also ran a Community of Practice for current and emerging community businesses in the sector to share knowledge and experience and develop greater peer support.

Place

Cities and Counties	Community businesses have demonstrated that they have a role to play in enabling local decision makers to realise their strategic priorities.	Complete consultation phases in Bristol, Liverpool and Suffolk, with effective rollout from Q3.	During 2018 the priority places in our Cities and Counties programme were confirmed as the Liverpool City Region, the West of England Combined Authority and Suffolk. In addition, we consulted with community businesses, private, public and voluntary sector stakeholders in those places and began the process of commissioning support for community businesses.
Empowering Places	Community businesses have demonstrated that they can mobilise local people to bring about positive change through the establishment of new community businesses.	Invest in supporting catalyst organisations in Bradford, Grimsby, Hartlepool, Leicester, Luton, Plymouth and Wigan to spearhead the growth and impact of community business at ward level.	We have helped all of our catalysts to build their capacity and more than 15 emerging community businesses are being supported across our places.
M&S partnership	Traditional businesses have demonstrated that they can effectively support community businesses to start and grow, with funding and skills-based volunteering.	Deliver capacity building and funding events in two places.	We delivered one successful event in Liverpool in 2018 and will deliver three more with M&S in the course of 2019.

Cross cutting themes	Five year goal	Focus in 2018	What we achieved
Community assets	Community asset ownership is recognised by local and national decision-makers as an important part of local place-based strategies.	Identification of places with an appetite for multiple asset transfers and the co-design with key stakeholders of interventions in these places.	We have, with the Nationwide Foundation, commissioned research on establishing a pilot investment fund to provide and/or acquire land on behalf of community housing groups. Power to Change is also part of a consortium convening an inquiry on how to protect existing community assets for the long-term benefit of local communities, where they have received public funding.
National infrastructure	Community businesses can access low cost, high quality technical and strategic development support and appropriate finance.	Work with sector, regional and national representative organisations to ensure community businesses can access appropriate finance and support.	We entered into strategic relationships with three national infrastructure organisations and established a collaboration to look at how we can shape and strengthen the support available to community businesses.

Open access

Start up	Grow the number of new and early stage community businesses with sound plans for sustainability and impact.	Continue start up funding stage through our Bright Ideas programme and early stage funding through our Trade Up programme.	We supported 196 early stage community businesses via our Bright Ideas, Trade Up and More than a Pub programmes. By the end of 2018, 28 new community pubs had opened as a result, 59 pre-venture organisations had been supported to develop their community business ideas, with 50% able to incorporate and begin trading.
Growth	Grow the number of sustainable, impactful community businesses.	Invest £7 million through our Community Business Fund.	We invested £5.6 million in the year through the Community Business Fund, including £5.4 million of new grants. We missed our total spending target due to grant withdrawals and the slower than expected uptake of capacity building support.

Open access (continued)	Five year goal	Focus in 2018	What we achieved
Social investment	Grow the number of sustainable, impactful community businesses using a range of social investment mechanisms.	Support quality community share offers through our new community shares booster programme. Continue blended funding with Key Fund and other social investment institutions	The Community Shares Booster Programme has seen applications for almost £6.5 million in matched equity, with 56 expressions of interest in 2018. 2018 also saw the final amounts from the initial programmes with partners SASC and Key Fund being disbursed with our £2 million investment bringing in £6 million in direct leverage.
Capacity building	Grow the number of sustainable, impactful community businesses through delivery of high quality, community business-specific support.	Invest in: – Peer-to-peer capacity building brokerage. – Regional grantee events. – Delivery of new leadership approach building on learning from RSA-led programme.	During 2018 we expanded our peer brokerage programme by recruiting 18 practitioners based in community businesses to work with every new Community Business Fund grantee to create bespoke capacity strengthening plans for each. We also delivered a series of 'Power up' events open to all our grantees to create a series of regional community business led forums.

Movement building	Five year goal	Focus in 2018	What we achieved
Movement building	Community businesses across the board know that they are community businesses and that they are part of a movement.	Growth of Community Business Weekend open doors event. Deliver local seed funding through our Community Business Panel.	225 community businesses took part in Community Business Weekend in 2018 during which they enjoyed a total of 17,000 visitors, many of whom became volunteers, shareholders, members and trustees as a result. We have supported eight Community Business Panel members to award 22 grants to fledgling community businesses and organisations wanting to explore community business ideas.

Our priorities for 2019

Support for community businesses

Funding	– We will continue to provide appropriate finance and capacity building support to individual community businesses during their start up, early stage and growth phases. This will include grant funding, blended grant and loan finance working with social investment partners, and match funding for community share issues. All these measures will continue to grow the community business market.

Sector support

Housing	– Continue to provide support to enable community housing groups to realise their plans for new build housing schemes to meet the needs of their local areas. – Look at options for how to support the refurbishment and transfer of existing properties into community hands to enable community businesses to be able to house more vulnerable local residents.
Energy	– Purchase up to five solar farms through the Community Owned Renewable Energy (CORE) joint venture for transfer to the community and build the capacity of the related community organisations to take on and manage these assets to maximise community benefit. – Support business model innovation among established community energy businesses, through our Next Generation Community Energy programme, therefore enhancing the sustainability of the sector.
Health and social care	– Support a small number of exemplar organisations and places to invest in a community-led approach in order to build understanding among key stakeholders of the positive benefits that community businesses can create in the delivery of health and social care services.
Pubs	– Launch a second phase of our More than a Pub programme to support community groups to take over their local pub as a vital community hub, in partnership with Plunkett Foundation.
Assets	– Support the Protecting Community Assets Inquiry to encourage better practice among funders and social investors to improve the long-term management of community assets and the support provided when challenges arise. – Provide financial and expert support to communities owning and managing assets to ensure their long-term viability and community impact.

Priority places

Cities and Counties	– Implement investment plans in the West of England Combined Authority, Liverpool City Region and Suffolk to improve support for community businesses and better connect community businesses to the strategic agendas in each area, demonstrating their potential to deliver on key local priorities.
Empowering Places	– Continue to support the seven catalyst organisations in Bradford, Grimsby, Hartlepool, Leicester, Luton, Plymouth and Wigan to grow community businesses in their local area as part of a five-year plan. To deepen the impact of this work, in some of the seven places, we will look to develop relationships with local stakeholders to accelerate and amplify the work of the local catalysts.

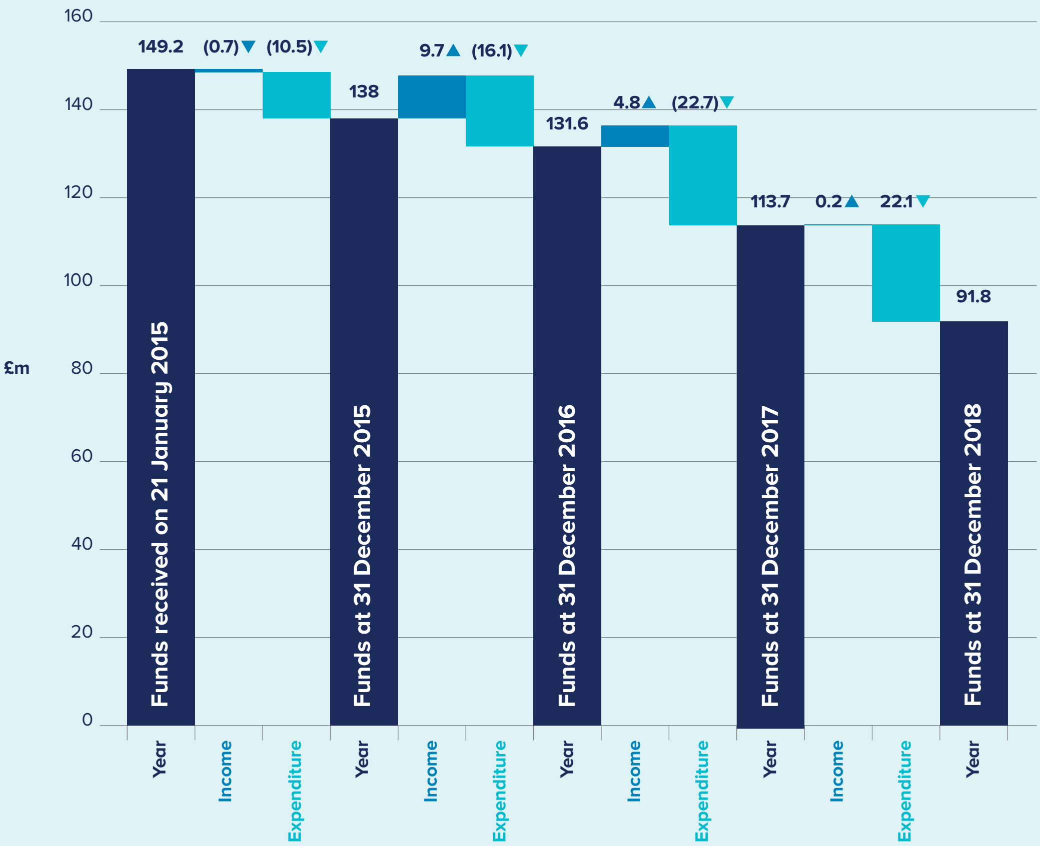
Creating a more enabling environment for community business

Market infrastructure	– Continue strategic partnerships with key national infrastructure organisations, to support collaboration between them and to improve the capacity and quality of the support available to community businesses. – Continue to use our data and other sector data sets to develop tools to better support the development of the community business sector.
Partnerships	– Work with a number of corporate partners, including M&S and the Big Issue Invest, to provide tailored packages of financial support and skills-based mentoring to enhance the viability of community businesses.
Research and policy	– Continue to commission research to develop the evidence-base on the positive economic and social contribution that community businesses can make and the most effective ways in which they can be supported. – Continue to work with central government departments, political parties, regional and local government to influence policy development in favour of community business to facilitate market growth.
Building a public movement	– Raise awareness of community business, especially in our priority places, through targeted campaigns, events and wider communication activities to encourage greater engagement of the public with community businesses inspiring them to become employees, volunteers, trustees, members, customers or shareholders.

Financial review

for the year to 31 December 2018

Funds flow over our first four years



As planned we saw significant increases in expenditure across our first four years. Our fourth year has seen a small decrease in expenditure as we took time to review our existing programmes and develop workstreams, particularly in market development. Our plan remains to invest the remaining £91,783,000 funds in community businesses across the next four years. Based on our delivery over recent years illustrated (left), we are on course to achieve this.

Group investments and funds summary	2018 £'000	2017 £'000
Growth portfolio	10,463	23,142
Reserve portfolio	39,112	59,778
Investments managed by Cazenove Capital Management	**49,575**	**82,920**
Investment – CORE LLP	**8,178**	**4,889**
Bank term deposits	40,152	32,013
Investments (see note 9 on page 43)	**97,905**	**119,822**
Net liabilities outside investment portfolio	(6,122)	(6,157)
Net assets	**91,783**	**113,665**
National Lottery Community Fund expendable endowment (capital fund)	91,689	112,435
MHCLG restricted funds	94	1,230
Endowment funds	**91,783**	**113,665**
Total funds (see note 13 on page 47)	**91,783**	**113,665**

Investment strategy

On 21 January 2015 Power to Change received an expendable endowment of £149,204,000 from the National Lottery Community Fund (formally the Big Lottery Fund) to fund its activities supporting and developing community businesses over seven to ten years. The investment of this expendable endowment is managed mainly by Cazenove Capital Management who were selected through a competitive tender process.

The Trust's investment policy sets out the overall investment objectives, the Trust's attitude to risk, asset allocation, liquidity and other policy requirements and is reviewed annually. Performance is measured against appropriate market benchmarks and indices and was historically targeted at CPI plus 2% over the life of the invested funds.

Investment restrictions include no direct exposure to companies manufacturing indiscriminate weapons or tobacco with indirect exposure in these areas limited to a maximum of 5%. Non-sterling investments are limited to 25% of the portfolio and exposure to direct short-selling is prohibited.

The investment policy targets total returns. It aims to achieve the best financial return within an acceptable level of risk whilst ensuring that the Trust has sufficient liquidity to meet medium-term expenditure commitments.

Two portfolios were created with the invested funds: Growth which targets long-term capital growth with an element of capital risk; and Reserve which invests in fixed-income hold to maturity bonds and holds cash deposits, consequently with lower returns but minimal capital risk. In addition, some cash deposits are managed outside of the portfolios managed by Cazenove. Cash deposits are managed to ensure that no more than 33% of Power to Change's cash deposits are held with any one financial institution.

In November 2017 Power to Change sold the great majority of its equity and property fund investments.

At 31 December 2018, 11% (2017: 19%) of the remaining invested funds were held in the Growth portfolio, 40% (2017: 50%) in the Reserve portfolio and 41% (2017: 27%) was held in cash. In addition, at 31 December 2018, 8% (2017: 4%) was held as an investment in CORE LLP, a joint venture between Power to Change and Big Society Capital. This investment is considered a social investment.

In December 2018, under the terms of the Investment Policy, The Finance and Investment Committee agreed to the Trust increasing the percentage holding in social investments over the initial limit of 5%.

The social investment of £3,475,500 in the year (2017: £5,000,000) into CORE LLP advances the Trust's charitable objects of both the promotion of sustainable development and the advancement of community development. The total investment of £8,475,500 may increase up to a maximum of £10,000,000 in 2019.

CORE LLP, the joint venture with Big Society Capital, had invested in three solar farms as at 31 December 2018 and has acquired a stake in a further two solar farms in 2019. The aim is to acquire up to nine solar farms by 31 July 2019, alongside local community energy groups, with a view to maximising the benefit for the communities over the life of the investment venture. The partnership will give the community groups up to three years to raise the funds necessary to fully transfer the ownership of the acquired solar farms into community hands.

Investment performance

As detailed in Note 9 (page 43), at the start of 2018 the market value of the invested funds stood at £119,933,000 (2017: £127,799,000) and during the year £25,020,000 (2017: £16,698,000) cash was transferred out of the investment portfolios (of which £3,475,500 (2017: £5,000,000) was invested in CORE LLP) and £883,000 (2017: £2,020,000) of income was reinvested.

However, losses on investments of £891,000 (2017: gains £2,171,000), together with fees of £178,000 (2017: £359,000) and expenditure during 2018, meant that the value of the invested fund reduced by £21,730,000 (2017: £7,866,000) in the year to a market value at 31 December 2018 of £98,203,000 (31 December 2017: £119,933,000).

The Growth portfolio returned -3.6% in 2018 (2017: +6.8%), or a loss of £701,326 in absolute terms (2017: gain of £3,342,969). During the year the assets in the Growth portfolio were held in three separate investment funds. In November 2018 it was decided to terminate the investment with Ruffer Investment Funds and revert the fund to cash. The asset allocation of the portfolio at the year end was as follows; absolute return 100% (2017: 78%), bonds 0% (2017: 10%), property 0% (2017: 11%) and cash 0% (2017: 1%). The market value of the Growth portfolio at 31 December 2018 was £10,463,000 (2017: £23,142,000).

The Reserve portfolio is designed to cover the medium-term liquidity needs of the Trust and is therefore invested in low risk, low return assets, namely hold to maturity bonds and cash deposits. In 2018, this portfolio generated income of £293,000 (2017: £229,000), a return of 0.7 % (2017: 0.5%). As at 31 December 2018, the market value of the Reserve portfolio was £39,112,000 (2017: £59,778,000) with 5.6% invested in hold-to-maturity bonds (2017: 7%) and the balance in cash.

In addition to the funds managed by Cazenove Capital Management, £40,152,000 in cash deposits is managed internally by Power to Change (2017: 32,013,000). These deposits earned interest of £357,000 in 2018 (2017: £148,000).

Expenditure

Total expenditure in 2018 was £22,190,000; this is a small (4%) decrease compared to 2017 (£23,064,000). Note 3 on page 36 shows a detailed analysis of expenditure which demonstrates a slight shift in how we have distributed our funds this year.

The biggest change is in the expenditure on grants awarded. Our spend in 2018 was £14,498,000, a decrease of £3,092,000 compared to 2017. Note 6 on page 39 provides detail of expenditure by fund in each year. The most notable reduction is in Community Business Fund (CBF), which accounts for £3,101,000 of the year on year decrease. Our plan for 2018 included just one round of applications to CBF compared to two rounds in 2017 totalling £1,278,000. We planned to make grants of £5,400,000 in 2018. Although we committed this sum, our net expenditure was reduced by almost £400,000 as some grantees from previous rounds withdrew from the programme as they were unable to meet the conditions for funding.

We have significantly increased the amount of additional support we give to grantees; £3,847,000 in 2018 compared to £2,004,000 in 2017. This support includes professional advice, training and direct support from peers in other community business. We offer this support within several programmes, including CBF, Trade Up and Community Shares, in addition to the core grants. We are pleased with how this support has developed in 2018.

Although our market development spend in 2018 of £1,149,000 is slightly lower (2017: £1,278,000), these programmes have developed significantly in the last year. In addition to this spend, the grants awarded in the year includes £484,000 from our Infrastructure and Capacity Building programme and £120,000 from out Health and Social Care programme.

Expenditure on research in 2018 amounted to £2,389,000 (2017: £1,725,000). In addition, the research programmes made grants of £312,000 (2017: £516,000).

This increase in expenditure in 2018 was due to a planned increase in the volume of research, policy and evaluation activity and has resulted in a significant increase in Research Institute publications and engagement activity.

Support costs in the year of £1,167,000 (2017: £1,127,000) includes support staff, governance, rent, IT and office costs. This represents 5% of total expenditure (2017: 5%).

Funds

Income generated from the remaining expendable endowment provided by the Big Lottery fund (BLF capital fund) is added to the BLF income fund on an ongoing basis. When required, money from the BLF capital fund is also transferred to the BLF income fund to meet our ongoing capital requirements. During 2018 £19,736,000 was transferred from the BLF capital fund (2017: £19,226,000). The balance on the Big Lottery capital fund at 31 December 2018 was £91,689,000 (2017: £112,435,000).

The Trustee Directors manage Power to Change's reserves in line with the reserves policy which was last reviewed in March 2018. The capital reserves represent the remaining expendable endowment. Based on the life cycle of the Trust, the reserves policy does not stipulate that a specific level of capital reserves is required. The Board has approved a Business Plan for 2019 to 2022 which allocates funds to programmes and workstreams across this period with the aim of reducing reserves to circa £4,000,000 by December 2022. The Business Plan informs the preparation of annual budgets. The Business Plan is reviewed annually.

In 2018 Power to Change received grants of £110,000 (2017: £966,660) from the MHCLG. Of the funds received in the year, £30,000 was granted onwards by the Innovation and Infrastructure Programme and £60,000 was awarded by the Research Institute on research into the economic impact of Community Asset Transfer. A further £20,000 has been carried forward restricted for expenditure on the Community Asset Transfer research. The grant funds received in 2017 were wholly spent in the year on the Bright Ideas Programme.

At the beginning of 2018 there was a brought forward balance of £1,230,000 in restricted reserves from the MHCLG relating to the More than a Pub Programme. During 2018 £1,156k was spent from this fund on grants, bursaries and evaluation of the programme. At 31 December 2018 the balance on this fund was £74,000.

Fund movements are shown in Note 13 of the accounts on page 48.

Structure, governance and management

Charitable objects

The charitable objects of the Trust are set out in its governing document and include the following (which do not limit the Trust's overriding general charitable object):

- The relief of poverty and unemployment
- The advancement of education
- The promotion of the voluntary sector
- The advancement of citizenship or community development
- The promotion of sustainable development
- The development of the capacity and skills of disadvantaged groups in society
- Urban and rural regeneration in areas of social and economic deprivation
- The promotion of social and economic inclusion

The overall vision of Power to Change is 'better places through community businesses delivered through a mission to 'back people to build successful local businesses for the benefit of their communities'. Funding is provided where a charitable purpose can be identified.

Governance

Power to Change Trust is a charitable trust and registered in England and Wales (Charity Commission registration number 1159982) and is constituted under a revised trust deed dated 28 September 2016. The trust came into existence on 21 January 2015 upon receipt of the £149,204,000 endowment from the National Lottery Community Fund (formerly the Big Lottery Fund). It has a sole corporate Trustee – Power to Change Trustee Limited – a private company (company number 8940987) limited by guarantee.

The Charity Governance Code has been reviewed and Trustee Directors have chosen to adopt and apply the Code. The Principles, Outcomes and Recommended Practices have been discussed and have been applied. With regard to review of the Board's performance, the Board and each of the Committees currently engage in and undertake annual effectiveness reviews.

Board members are directors of Power to Change Trustee Limited and are referred to as Trustee Directors throughout this report. At 31 December 2018 there were eleven Trustee Directors, listed on page 17.

Power to Change has one subsidiary company: PTC Renewable Energy Ltd. The Trustee Directors approve the appointment of directors of PTC Renewable Energy Ltd.

PTC Renewable Energy Ltd owns 50% of Community Owned Renewable Energy LLP which is a joint venture with Big Society Capital. The joint venture is governed by an LLP Partnership Agreement dated 1 August 2017. Day to day management is through a Management Board which has Terms of Reference agreed by both parties. Each joint venture partner has an appointed member to the Management Board.

New Trustee Directors are sought by open advertisement and undergo a rigorous interview process. The ultimate decision on selection is a matter for the Trustee Directors already in place. An operational and governance induction programme is in place.

New Trustee Directors are initially appointed to serve for three years after which they will be eligible for reappointment. The Articles of Power to Change Trustee Limited provides for a minimum of five Trustee Directors and up to a maximum of thirteen. The Trustee Directors agree the broad strategy and areas of activity for the Trust including consideration of grant making, investment, reserves and risk management policies and performance. The day-to-day decision making and administration of grants and the processing and handling of applications is delegated to the Chief Executive and her team.

In 2018 the board met nine times. There are four sub-committees of the board that oversee particular aspects of the Trust's work. All Trustee Directors give their time freely and there was no Trustee Director remuneration paid in the year. In 2018, the Trustee Directors claimed £4,347 of expenses.

The Board Grants Committee reviews the delivery, risks, success and impact of all grant programmes. In addition, the Board Grants Committee also reviews one or two programmes in depth at each of its meetings, offering strategic input and constructive challenge to ensure each programme achieves maximum impact for communities. Six Trustee Directors sit on the Committee and it meets quarterly. All Trustee Directors and Community Business Panel members are welcome to attend meetings of the Grants Committee. The Community Business Panel is made up of 15 community business leaders that meet with the Power to Change executive team every quarter to debate, challenge and provide feedback on our plans.

In December 2018 the Board agreed the Terms of Reference supporting the transition of the Board Grants Committee to the Impact Committee from 2019.

The Finance & Investment Committee oversees most financial aspects of the Trust in particular budgeting, financial and management reporting and investment. It formulates the Trust's investment policy, selects investment managers and monitors investment performance. Three Trustee Directors sit on the Committee and it meets quarterly.

The Audit & Risk Committee oversees all systems of control at the Trust including the annual audit and all its risk management processes. The Committee comprises two Trustee Directors, together with an independent member not associated with Power to Change (Neil Spence). Members met three times in the year.

The People & Governance Committee oversees all people and governance matters at the Trust including composition of the Board, all policy and people related matters, diversity and adherence to the Trust's values. Three Trustee Directors sit on the Committee and it met four times in the year.

The table below reflects Trustee Directors in post during the year and up to the date of signing of this report as well as the subcommittees of which those Trustee Directors are members. There is also an independent member of the Audit & Risk Committee, Neil Spence, who is not a Trustee Director.

Name	Appointed	Retired	Audit & Risk	Finance & Investment	Grants Committee	People & Governance
Leonie Austin	14 Dec 2017					
Samuel Berwick	23 Jan 2015	13 Dec 2018		✓		
Katherine Blacklock	23 Jan 2015	13 Dec 2018		✓	✓	
Choong Fai Chan	23 Jan 2015	13 Dec 2018	✓			
David Godden	17 Mar 2014	20 Sept 2018	✓		✓	✓
Ian Hempseed	19 Mar 2016	20 Apr 2017				
Stephen Howard	17 Jan 2016	20 Apr 2017			✓	✓
Dai Powell	14 Dec 2017				✓	
Jessica Prendergast	14 Dec 2017					
Carla Stent	23 Jan 2015	13 Dec 2018		✓	✓	
Christopher Stephens	3 Apr 2016	20 Apr 2017			✓	✓

Vidhya Alakeson was appointed as Company Secretary on 20 September 2018. Peter Jenkins was Company Secretary from 1 January 2018 to 20 September 2018.

The Chief Executive and the rest of the Executive management team comprise the key management personnel of the Charity in charge of directing and controlling the charity on a day to day basis. The Executive management team comprised:

Vidhya Alakeson	Chief Executive
Linda Cherrington	Director of Finance and Operations (appointed Feb 2019)
Alex Fowles	Interim Director of Finance and Operations (Sept 18 to Feb 19)
Mark Gordon	Director of Communications and Partnerships
Richard Harries	Director of Research and Development
Peter Jenkins	Interim Chief Executive-maternity cover (Jan 18 to Aug 18)
Kate Stewart	Director of Programmes
Jenny White	Interim Director of Finance and Operations (Jan 18 to Aug 18)

Executive management team pay is reviewed annually by the People & Governance Committee. Their remuneration is benchmarked with grant-making charities and commercial entities of a similar size and activity on a 50:50 basis. This is to ensure that the remuneration set is fair and not out of line with that generally paid for similar roles.

On stepping down as Interim Chief Executive, the Board retained Peter Jenkin's services as a consultant representing Power to Change's interests in the CORE LLP management committee as a Director of PTC Renewable Energy Ltd. The Board wish to retain Peter's significant experience working with the Power to Change energy investments.

Fundraising

The charity does not undertake fundraising activities and therefore has nothing to disclose under the provisions of section 13 of the Charities (Protection and Social Investment) Act 2016.

Risk management

The Trust recognises that the effective management of risks is central to its ability to achieve its objectives and aims to anticipate and, where possible, manage risks rather than dealing with their unforeseen consequences.

The Trust has a five-step approach to risk: clarify objectives; identify risks to achieving objectives; assess and rate the risks; determine the appropriate response to each risk; and then finally reviewing and reporting those risks.

The Trust has also prepared and agreed a risk appetite statement that identifies its appetite for risk across all its areas of activity. For example, grant-making has a different appetite for risk (medium/high) compared to legislative/regulatory compliance where risk tolerance is zero.

Key risk review and reporting mechanisms at Power to Change are:

– Risk Register and Matrix: The risk register and matrix together form the Trust's primary mechanism for considering long-term risks. They identify all known long-term risks and assign them, according to their likelihood and impact, to both an individual Executive Director and a Board Committee. They are reviewed quarterly by the Management Team and annually by the responsible Board Committee, the Audit & Risk Committee and the Board.

– Key Performance Indicators (KPIs): Strategic objectives are identified annually, with associated KPIs. These are the tool by which the Trust measures its performance against identified short-term risks. They are reviewed quarterly by the Management Team and reported to the Board quarterly.

– Management accounts, reforecast and budgets: These identify and measure financial performance against financial objectives and the risks of not achieving them. Management accounts and reforecasts are produced quarterly, and budgets are produced annually. These are reviewed by the Finance & Investment Committee and the Board.

The Trustee Directors have considered the major risks to which the charity is exposed and have satisfied themselves that systems or procedures are established to manage those risks. The most significant risks identified (after considering mitigating actions) are as follows:

Most significant risks	Mitigation
We do not follow our risk appetite framework	Our performance against the risk appetite framework is reviewed annually by Audit and Risk Committee. Programme reporting identifies risks early to the Board and Committees to enable risk taking with confidence. The risk appetite framework is embedded in all new programmes.
We are unable to build movement	We have ongoing activities aimed at building a movement that includes community business weekends and establishing sector networks. There are strong stakeholder relationships in place and cross-sector working is under way. Other communications and marketing activities also bolster movement building.
Our inability to retain key staff and poor staff morale as 2022 approaches, affecting the delivery of the business plan	A plan will be put in place to retain key staff as 2022 approaches. Monitoring of staff morale is provided by staff surveys and workshops. In addition, the new Head of HR will provide greater focus and support.
We are unable to demonstrate sufficient level of positive impact and change in the selected places we are focusing on in depth	We have developed several hypotheses around the impact of community businesses. Our strategy has been developed so that we can test these hypotheses and we regularly review our progress and our approach. We use this information to inform learnings and shape our future plans. The Board has approved the re-constitution of the Board Grants Committee as an Impact Committee to allow the appropriate focus on this risk. This committee will meet four times in 2019.

Gender pay gap

In 2018 the Government introduced new legislation requiring all organisations with over 250 employees to publish details of their gender pay gap. Although Power to Change does not have 250 employees we are committed to reducing inequality in all areas and therefore we have voluntarily decided to publish data about the difference between how much we pay our men and women.

The gender pay gap is how we measure whether there is a disadvantage (a gap) between what, on average, men earn and what, on average, women earn (gender pay). This is different to equal pay, which is an individual contractual right to make sure men and woman are paid the same for same or similar work. We continuously review our pay and reward decisions to make sure we comply with equal pay legislation.

As at April 2018 our median gender pay gap was -0.1% (our mean gender pay gap is 4.06%). This is a significant improvement on our gender pay gap in 2017 (14.8% median, 9.3% mean) and we are proud that we continue to be an employer with a high level of pay equality.

We will continue to review our pay and reward practices to make sure we maintain pay equity. We also have a wider programme of work to review and improve all our employment practices to make sure we have a diverse and inclusive workforce. We are also starting to consider how we can actively incorporate our thinking into the community businesses we support and the partners we work with.

Trustee Directors' Statement of Responsibilities

In respect of the Trustee Directors' Annual report and the financial statements

Focus of the activities

The Trustee Directors have given due consideration to the Charity Commission guidance on the operation of the public benefit requirement and are satisfied that the work of Power to Change Trust meets that requirement. The public benefit requirement is demonstrated through the charitable activities undertaken by the Charity as described on pages 2 to 10.

Responsibilities of the Trustee Directors

The Trustee Directors are responsible for preparing a Trustee Directors Annual report and financial statements in accordance with applicable law and FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

The law applicable to charities in England and Wales require the Trustee Directors to prepare financial statements for each 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 the financial statements, the Trustee Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the applicable Charities Statement of Recommended Practice;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures that must be disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustee Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities Act 2011, the applicable Charities (Accounts and Reports) Regulations, and the provisions of the Trust deed. They are also responsible for safeguarding the assets of the charity and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Trustee Directors on 30 April 2019 and signed on their behalf by:

Stephen Howard
Chair

Protector's statement

Background

I was appointed as the Protector of the Power to Change Trust ('the Trust') on 1 November 2018 for a period of three years. For the period January 2018 to October 2018 there was no Protector in place for the Trust and therefore the Founder of the Trust exercised the powers of the Protector as set out in the Trust Deed. The Trust is a UK registered charity set up for broad charitable purposes, with a corporate trustee controlling its affairs. The corporate trustee is Power to Change Trustee Limited, which in turn is controlled by a board of directors (the Board) who meet regularly. The Board delegate the day to day running of the Trust to the Chief Executive.

The Founder of the Trust is the National Lottery Community Fund ('the Fund'), previously known as 'The Big Lottery Fund', which invested £149 million in setting up and endowing the Trust with a view to the Trust making 'community-led enterprise across England a sustainable solution to local social and economic needs and opportunities'.

Function of the Protector

The function of the Protector is set out in the Trust Deed dated 3 November 2014 and subsequent thereto supplemental deeds dated 6 January 2015 and 28 September 2016. The fiduciary duty of the Protector as stated in the Trust Deed is to 'ensure the integrity of the administration of the Charity and the propriety of its procedures'. The Protector is not involved in the decision making and is not a trustee of the Charity. If necessary, the Protector must report matters of serious concern to the Fund or to the Charity Commission. The function of the Protector therefore is to ensure the Trustees administer the Trust properly and to act as a 'watch-dog', monitoring the Trustee and preventing it from abusing its powers or breaching its duties. More positively, the Protector must seek to ensure, as far as possible, that the Trust is administered in accordance with the terms of the Trust Deed and give or withhold consent or approval to the exercise of certain powers by the Trustee.

I am required under the Trust Deed to prepare a statement for publication by the Trustee in its annual report, explaining the Protector's function, how the function has been exercised and, if appropriate, identifying any areas of administration which require improvement and steps to be taken by the Trustee to effect such improvement.

Aims of the Trust

The Fund established the Trust to bring about a widespread recognition of the economic and social benefits of community-led enterprise and asset ownership so that more local people are enabled to improve the places where they live. The objectives of the Trust include:

– The relief of poverty and unemployment

– The advancement of education

– The promotion of the voluntary sector

– The advancement of citizenship or community development

– The promotion of sustainable development

– The development of the capacity and skills of disadvantaged groups in society

– Urban and rural regeneration in areas of social and economic deprivation

– The promotion of social and economic inclusion

The permitted methods of achieving the objectives are widely drawn within the Trust Deed and the Founder sets out the key supporting interventions that it wishes the Trust to use in exercising its powers and duties. The Fund's desired outcome is that the Trust should encourage and develop sustainable community businesses and help to bridge the gaps in market infrastructure, including intermediaries, whilst increasing the understanding of the key variables that drive community business creation and sustainability. The Fund expects the Trust to do this by working in partnership with others in the public, private and voluntary sectors and building an evidence base that demonstrates how community businesses become sustainable and deliver better outcomes for people and communities most in need.

Administration of the Trust

I am satisfied that the Trust has been administered in accordance with the terms of the Trust Deed from the period 1 November 2018 to 31 December 2018.

Board of Trustee Directors and Executive Changes

There were eleven Trustee Directors in post as at 31 December 2018. Four Trustee Directors whose terms of office would expire in January 2019 (Carla Stent, Samuel Berwick, Katherine Blacklock and Choong Fai Chan) have been reappointed as Trustee Directors of Power to Change Trustee Ltd for a further three years. This will provide good continuity as these Trustee Directors have been in post since the inception of the Trust. Peter Jenkins, the Interim Chief Executive stepped down from this role during the year on the return of the permanent Chief Executive, Vidhya Alakeson, but is retained as a consultant to the Trust. The Interim Director of Finance and Operations is also due to step down in the Spring of 2019 as the new permanent Director takes up post. These senior level changes seem to have been managed well. With 11 Trustee Directors and 5 executive team members around the board, my observations are that all opinions are heard and time is allotted to achieve a required consensus on decisions.

What the Protector has done

Given I have only been in post for the latter two months of the 2018 financial year, I have spent much of this time familiarising myself with the governance structure of the Trust, meeting with Board members, the Chief Executive and other staff and representatives of the Fund. I have attended the Audit and Risk Committee, the Grants Committee and the People and Governance Committee. Due to diary constraints I was unable to attend the Finance and Investment Committee or the December Board although I received papers for all the meetings held over these two months and made comments on them where appropriate. I have participated in a comprehensive induction programme and am grateful to all the staff at both the Trust and the Fund for their time and support over this period.

Protector consent has been requested and granted for two changes during this period. The Trust Deed references a Manual of Regulations that was put in place as part of the setting up of the Trust and any changes to this document require Protector consent. The Manual sets out core aims, objectives and grant making requirements including specific reference to Delegated Authorities for certain grant making. The changes requested were to reflect the maturity of the various governance structures underpinning grant making and also to remove somewhat unwieldy and potentially lengthy approval processes for grants which were relatively small in nature or exceeded upper authority limits by a small amount. These changes also reflected the increased levels of executive and managerial scrutiny of compliance with the Grant Operating Guidelines. A comprehensive review of the Manual of Regulations is underway with further substantive changes expected for approval in the early months of 2019. I have been kept informed of this ongoing work and will be sighted on early draft revisions as they emerge.

From my observations of Committee meetings and conversations with Trustee Directors, I conclude that the Trust is governed effectively, and Trustee Directors apply a proportionate and appropriate level of scrutiny and challenge to the operation of the Trust. The relationship between the Trustee Directors and the Executive works well and papers are clearly presented with the requisite level of detail to enable Trustee Directors to assess risk, gain assurance and be clear on the implications of the recommendations proposed.

Looking forward the Board has recognised that it is timely to review the governance structures of the Trust, particularly changing the Grants Committee to an Impact Committee which examines the impact of the Trust's work across the full range of activities that it funds. The Board has also established a Post 2022 oversight Committee and has commissioned an independent report to determine stakeholder views on whether the Trust should aim to continue its operations beyond 2022 and seek additional funding when the initial endowment is exhausted. The Board is alive to the risks that this may present and are taking a measured approach to developing a business case whilst ensuring that the Trust proceeds in parallel with a plan to closure in 2022, particularly to expend the £149 million endowment in accordance with the wishes of the Founder. My principal concern as Protector is that the process should not unduly disrupt the ongoing work of the Trust and I will keep this development under review over the coming year.

Susan Johnson OBE
Protector, Power to Change Trust
May 2019

Independent auditor's report

to the corporate Trustee of Power to Change Trust

Opinion

We have audited the financial statements of Power to Change Trust for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of 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 group's and of the parent charity's affairs as at 31 December 2018 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;

– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 group 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.

Independent auditor's report (continued)

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the corporate trustee directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the corporate trustee directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The corporate trustee directors are responsible for the other information. 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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 require 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 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 corporate trustee directors

As explained more fully in the trustee's responsibilities statement set out on page 21, the corporate trustee directors 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 corporate trustee directors determine 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 corporate trustee directors are responsible for assessing the group's and the parent 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 corporate trustee directors 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 151 of the Charities Act 2011 and report in accordance with the Act 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.

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.

Use of our report

This report is made solely to the charity's corporate trustee directors, 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 corporate trustee directors 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 corporate trustee directors as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe UK LLP

Crowe U.K. LLP
Statutory Auditor
London

28 June 2019

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

Consolidated statement of financial activities

for the year to 31 December 2018

	Notes	Endowment funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Income & endowments:					
Funding		–	110	110	967
Investment income	2	1,089	–	1,089	1,942
Total		**1,089**	**110**	**1,199**	**2,909**
Expenditure on:					
Raising funds		120	–	120	356
Charitable activities:					
Grants awarded	6	13,648	850	14,498	17,590
Grantee support		3,601	246	3,847	2,004
Market development		1,149	–	1,149	1,278
Research		2,239	150	2,389	1,725
Share of joint venture loss		187	–	187	111
Total expenditure	3	**20,944**	**1,246**	**22,190**	**23,064**
Net operating expenditure		**(19,855)**	**(1,136)**	**(20,991)**	**(20,155)**
Net (losses)/gains on investments		(891)	–	(891)	2,171
Net expenditure		**(20,746)**	**(1,136)**	**(21,882)**	**(17,984)**
Reconciliation of funds:					
Total funds brought forward		112,435	1,230	113,665	131,649
Total funds carried forward	13	**91,689**	**94**	**91,783**	**113,665**

All amounts related to continuing activity and are restricted funds and all charitable activities are in relation to Power to Change programmes.

All gains and losses are included in the statement of financial activities

The accompanying notes on pages 31 to 51 form part of these financial statements.

Balance sheets

as at 31 December 2018

Charity No 1159982

		2018		2017	
	Notes	Group £'000	Charity £'000	Group £'000	Charity £'000
Fixed assets					
Intangible assets	7	9	9	250	250
Tangible assets	8	38	38	46	46
Investments	9	97,905	98,203	119,822	119,933
		97,952	**98,250**	**120,118**	**120,229**
Current assets					
Cash at bank and in hand		6,170	6,170	3,219	3,219
Debtors	10	1,570	1,570	1,980	1,980
		7,740	**7,740**	**5,199**	**5,199**
Current liabilities					
Creditors: amount falling due within one year	11	(13,336)	(13,336)	(11,030)	(11,030)
Net current liabilities		**(5,596)**	**(5,596)**	**(5,831)**	**(5,831)**
Total assets less current liabilities		92,356	92,654	114,287	114,398
Creditors: amount falling due after one year	11	(573)	(573)	(622)	(622)
Net assets		**91,783**	**92,081**	**113,665**	**113,776**
The funds of the charity					
Endowment funds	13	91,689	91,987	112,435	112,546
Other restricted funds	13	94	94	1,230	1,230
Total funds		**91,783**	**92,081**	**113,665**	**113,776**

Approved by the Corporate Trustee. Authorised for issue on 30 April 2019 and signed on behalf of the Trustee Directors:

Stephen Howard
Chair

The accompanying notes on pages 31 to 51 form part of these financial statement

Consolidated cash flow statement

for the year to 31 December 2018

	2018 £'000	2017 £'000
Cash outflow from operating activities		
Net expenditure	(21,882)	(17,984)
Share of joint venture loss	187	111
Net expenditure before share of joint venture loss	(21,695)	(17,873)
Losses/(gains) on investment	891	(2,171)
Investment fees paid from capital	178	359
Depreciation of tangible and intangible fixed assets	76	146
Impairment of intangible asset	192	0
Decrease in debtors	410	1,072
Increase in creditors	2,257	1,922
Net cash flow from operating activities	**(17,691)**	**(16,545)**
Cash inflow from investing activities		
Receipts from sale of fixed asset investments	25,020	16,698
Investment income reinvested	(883)	(2,020)
Payments to acquire tangible and intangible fixed assets	(19)	(165)
Payments to acquire social investment	(3,476)	(5,000)
Net cash flow from investing activities	**20,642**	**9,513**
Increase/(decrease) in cash in the period	**2,951**	**(7,032)**

	2,018 £'000	2,017 £'000
Analysis of changes in net funds		
Cash balance at the beginning of the period	3,219	10,251
Increase/(Decrease) in cash in the period	2,951	(7,032)
Cash balance at 31 December	**6,170**	**3,219**

Notes to the accounts

for the year to 31 December 2018

1. Accounting policies

Introduction

The financial statements have been prepared to give a true and fair view and follow 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) effective 1 January 2015.

In the application of the charity's accounting policies and the applicable charity laws and regulations in England and Wales, the Trustee Directors are required to make judgements, estimates, assumptions about the carrying values of the assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are 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.

In the view of the Trustee Directors, no assumptions concerning the future or estimation of uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

The Trustee Directors have considered appropriate budgets and forecasts and are not aware of any material uncertainties which suggest the group cannot continue as a going concern.

Power to Change Trust meets the definition of a public benefit entity under FRS 102.

Consolidated financial statements are prepared under historical cost convention in pounds sterling which is considered to be the functional currency of the charity. The financial statements include the results of all material subsidiaries on a line by line basis and all material joint ventures on an equity accounting basis, after the elimination of relevant intercompany balances and transactions.

Income and endowments

Income resources are recognised in the period where the charity becomes entitled to the funds, receipt is probable, and the amount can be measured reliably. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Grant income is recognised in the statement of financial activities when received or when the charity becomes entitled to receipt. Grants that have been received are treated as deferred income where there are specific requirements in the terms of the grant that the income recognition is dependent on certain activities being completed in a future accounting period.

Notes to the accounts for the year to 31 December 2018 (continued)

1. Accounting policies (continued)

Fund accounting

Restricted funds are funds that have been given for particular purposes and projects. Restricted funds must be used in accordance with the funders' or donors' wishes. Grants from the MHCLG were spent on the More than a Pub Programme, the Innovation and Infrastructure Fund and by the Research institute.

Endowment funds represent capital gifted in 2015 by the National Lottery Community Fund (formally the Big Lottery Fund) and in 2016 by MHCLG. Any unspent income arising from the Capital Fund is added to the National Lottery Community Income Fund and the Trustee Directors may transfer amounts from the Capital Fund to the Income Fund to cover any shortfalls in that fund.

Expenditure

Expenditure is included on an accruals basis for the charitable activities, cost of raising funds and governance.

Resources expended are allocated to a particular activity where the cost relates directly to that activity.

Grants payable are accounted for in full as liabilities when approved and notified to grantees because there is a valid expectation that they would receive the grant as offered and accepted.

The cost of those staff whose responsibility was the direct management and administration of an activity are apportioned based on time spent in undertaking that activity. The direct staff cost allocation for the period 31 December 2018 was:

	2018	2017
Grants awarded:	35%	34%
Grantee support:	26%	24%
Market development:	23%	26%
Research:	16%	16%

Allocation of support costs

Support costs are those costs which enable the generation of funds and which enable charitable activities to be carried out. These costs include governance costs, finance, human resources and information technology. Support costs are allocated to each of the activities in the same proportions as the direct staff allocations above.

Notes to the accounts for the year to 31 December 2018 (continued)

1. Accounting policies (continued)

Raising funds

The costs of raising funds are the investment management fees charged by Cazenove Capital Management for managing the investment portfolios. Fees were charged quarterly and based in the daily average value of the portfolio over the quarter. Investment fees include VAT which cannot be recovered.

Governance costs

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities. Governance costs include an element of staff time based on the proportional allocation described under the expenditure policy on page 32.

Pension

The charity operates a group personal pension scheme. The pension cost charge represents contributions payable under the scheme by the charity to the fund. The charity has no liability under the scheme other than the payment of the contributions.

Intangible fixed assets

Website development costs and customer relationship management software have been capitalised within intangible assets as they can be identified with a specific project anticipated to produce further benefits. Amortisation is provided to write off assets on a straight-line basis over their estimated useful economic life:

- CRM Software: 3 years
- Website: 3 years

Where costs have been incurred and previously capitalised and following review these are no longer considered to have a useful economic life, these have been written off during the financial year. Following the 2018 review, costs relating to the development of Twine application have been written off in full and any future costs will be treated as in year expenditure.

Amortisation charges begin in the month of purchase and is included in charitable activities expenditure.

Tangible fixed assets

All assets costing more than £1,000 are capitalised and are carried at cost. Depreciation is provided to write off assets on a straight-line basis over their estimated useful economic life:

- IT equipment: 3 years

The depreciation charge begins in the month of purchase and is included in charitable activities expenditure.

Notes to the accounts for the year to 31 December 2018 (continued)

1. Accounting policies (continued)

Fixed asset investments

Fixed asset investments are a combination of bond, equity and fund investments plus cash deposits held in interest-bearing accounts and are reported at their fair values, being their market value, at the balance sheet date. Gains and losses arising on the disposal of investments and the revaluation to market value are credited and charged to the statement of financial activities in that year.

Social investments

Social investments are held at cost less any diminution in value unless the charity is able to obtain a reliable estimate of fair value.

Financial instruments

The charity has financial assets and 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 and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise of trade and other creditors.

Instruments, held as part of a portfolio, are stated at fair value at the balance sheet date with gains and losses being recognised within income and expenditure.

Operating leases

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

The operating leases that have been entered into are for low value office equipment and is not deemed material.

Joint venture investment

Joint ventures are those entities over whose activities the Group has joint control. Investments in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss after the date of acquisition. If the Group's share of the profit or loss exceeds the carrying amount of its investment, the Group discontinues recognising its share of further losses. Additional losses are recognised as a provision only to the extent that the Group has a legal or constructive obligation to make payments on behalf of the joint venture. The Group only resumes recognising its share of profits after they equal the share of losses not recognised. Loans to joint ventures are included in fixed asset investments.

Notes to the accounts for the year to 31 December 2018 (continued)

2. Investment Income and other funding

	2018 £'000	2017 £'000
Investment income		
Fixed interest from bonds	183	532
Dividends from equities	5	614
Income from multi-asset funds	190	158
Income from property funds	29	114
Income from investment cash – Cazenove	266	338
Income from investment cash – deposits	357	148
Other income	36	–
Income from fixed asset investments	**1,066**	**1,904**
Bank interest on current accounts	23	38
Total investment income	**1,089**	**1,942**

In 2018, grants totalling £110,000 (2017: £967,000) were received from the MHCLG. In 2018 these funds were spent on the Bright Ideas Programme, the More than a Pub Programme and the Innovation and Infrastructure Fund. In 2017 the funds were wholly spent on the Bright Ideas Programme.

Notes to the accounts for the year to 31 December 2018 (continued)

3. Expenditure allocation

2018	Grants Awarded £'000	Grantee Support £'000	Market Development £'000	Research £'000	Raising Funds £'000	Total 2018 £'000	Total 2017 £'000
Direct costs							
Direct grants awarded	12,370	–	–	–	–	12,370	15,311
Programme delivery	418	1,654	–	–	–	2,072	1,586
Capacity building	–	969	–	–	–	969	–
Programme and sector development	30	192	185	–	–	407	721
Research policy and partnerships	312	–	–	1,877	–	2,189	1,822
Communications programmes	245	192	236	–	–	673	342
Investment management fees	–	–	–	–	120	120	356
Direct staff costs (inc contractors)	718	495	421	322	–	1,956	1,530
Legal costs	7	5	5	3	–	20	88
Depreciation	–	60	–	–	–	60	70
Total direct costs	**14,100**	**3,567**	**847**	**2,202**	**120**	**20,836**	**21,826**
Support costs							
Governance costs (see note 4)	92	64	70	44	–	270	235
Support staff costs (inc contractors)	154	107	116	72	–	449	424
Communications	–	–	–	–	–	0	17
IT and consultancy	31	22	24	14	–	91	127
Rent and office costs	116	83	88	54	–	341	248
Depreciation	5	4	4	3	–	16	76
Total support costs	**398**	**280**	**302**	**187**	**–**	**1,167**	**1,127**
Total expenditure (Charity)	**14,498**	**3,847**	**1,149**	**2,389**	**120**	**22,003**	**22,953**
Share of joint venture losses						187	111
Total expenditure (Group)						**22,190**	**23,064**

Notes to the accounts for the year to 31 December 2018 (continued)

4. Governance costs

	2018 £'000	2017 £'000
Staff costs (incuding contractors)	198	163
External audit fees	21	15
External audit fees – non-assurance fees	5	–
Internal audit fees	25	13
Other audit fees	–	4
Protector's and Trustee Directors' fees and expenses	5	15
Protector's recruitment costs	16	–
Trustee Directors' recruitment costs	–	25
Total	**270**	**235**

Trustee Directors received no remuneration during the year. In total ten Trustee Directors received reimbursement for travel and subsistence expenses of £4,347 during the year (2017: four Trustee Directors £2,347).

5. Staff costs and numbers

	2018 £'000	2017 £'000
Wages and salaries	1,618	1,474
Social security costs	172	163
Employer pension contributions	84	59
Other employee benefits	22	18
Staff expenses	64	63
	1,960	**1,777**
Training	64	61
Contractor costs	448	206
Recruitment costs	131	73
Total staff costs	**2,603**	**2,117**

The operating cost of the pension scheme during the period was £1,200 (2017: £1,200). Included in the wages and salaries costs are termination payments of £21,404 (2017: £nil).

Notes to the accounts for the year to 31 December 2018 (continued)

5. Staff costs and numbers (continued)

The average number of employees (excluding contractors) during the year was as follows:

	2018	2017
Charitable expenditure	26	21
Support and governance	5	6
	31	**27**

The number of employees who received remuneration of more than £60,000 in the year was as follows:

	2018	2017
£60,000 – £69,999	3	3
£70,000 – £79,999	2	1
£80,000 – £89,999	2	1
£90,000 – £99,999	1	1
£100,000 – £109,999	1	1

Total key management personnel costs for the year (staff and contractors) were £596,573 (2017: £582,017).

Notes to the accounts for the year to 31 December 2018 (continued)

6. Grants awarded

	2018 £'000	2017 £'000
Community Business Fund	5,044	8,145
More Than A Pub programme	1,653	1,182
Community-led Housing Programme	1,133	664
Trade up	972	300
Empowering Places Programme	856	755
Community Shares Booster	504	650
Infrastructure	484	–
Bright Ideas	333	1,274
Sandbox	271	–
Blended – other	200	–
Blended loans – SASC	157	325
Energy	150	–
Innovation and Infrastructure Fund	125	897
Health and Social Care	120	–
Initial Grants Programme	119	230
Blended Loans – Key Fund	108	424
M&S partnership	70	–
Community Assets	45	–
Cities and Counties	15	–
Community Business Panel	11	–
Peer Network Programme	–	465
	12,370	**15,311**

Notes to the accounts for the year to 31 December 2018 (continued)

6. Grants awarded (continued)

	2018 £'000	2017 £'000
Other grants		
Grants to delivery partners	448	852
Research and policy	312	516
Communications and partnerships	245	–
External grants awarded	**13,375**	**16,679**
Direct staff costs	718	520
Other costs	7	8
External grants & direct costs	**14,100**	**17,207**
Support costs	398	383
Total expenditure	**14,498**	**17,590**

External grants awarded in 2018 are net of £813,521 of grants withdrawn (2017: £13,315).

The value of grants withdrawn represent those grants that have been withdrawn completely or have been subject to a variation. During 2018 many of Power to Change's earliest grants expired. Some grantees were unable to meet the grant conditions before the end of the grant period, and therefore there was a significant increase in withdrawals in 2018 compared to earlier accounting periods.

Notes to the accounts for the year to 31 December 2018 (continued)

6. Grants awarded (continued)

	2018 £'000	2017 £'000
Grants due		
Balance brought forward	11,024	8,570
External grants awarded	13,376	16,679
Amounts defrayed	(11,257)	(14,225)
Balance carried forward	13,143	11,024

7. Intangible fixed assets (Group and Charity)

2018	Software £'000	Website £'000	Twine Application £'000	2018 Total £'000	2017 Total £'000
Cost					
Balance brought forward	87	83	281	451	327
Additions	–	–	–	–	124
Disposals	–	–	–	–	–
Carried forward	**87**	**83**	**281**	**451**	**451**
Amortisation					
Balance brought forward	55	57	89	201	75
Charges for the year	26	23	–	49	126
Disposals	–	–	–	–	–
Impairment	–	–	192	192	–
Carried forward	**81**	**80**	**281**	**442**	**201**
Net book value					
Brought forward	32	26	192	250	252
Carried forward	**6**	**3**	**–**	**9**	**250**

Notes to the accounts for the year to 31 December 2018 (continued)

8. Tangible fixed assets (Group and Charity)

	2018 Total £'000	2017 Total £'000
IT equipment		
Cost		
Balance brought forward	80	39
Additions	19	41
Disposals	(1)	0
Carried forward	**98**	**80**
Depreciation		
Balance brought forward	34	14
Charges for the year	27	20
Disposals	(1)	0
Carried forward	**60**	**34**
Net book value		
Brought forward	46	25
Carried forward	**38**	**46**

Notes to the accounts for the year to 31 December 2018 (continued)

9. Fixed asset investments

	2018		2017	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Investment asset allocation				
Cazenove Capital Management:				
Fixed asset investments	2,191	2,191	7,025	7,025
Multi-asset investments	27,317	27,317	32,062	32,062
Property fund investments	–	–	2,633	2,633
Cash and deposits	20,067	20,067	41,200	41,200
	49,575	**49,575**	**82,920**	**82,920**
Equity investment:				
Community Owned Renewable Energy LLP	–	8,476	–	5,000
Share of joint venture net assets	8,178	–	4,889	–
Bank:				
Term deposits	40,152	40,152	32,013	32,013
Total investments	**97,905**	**98,203**	**119,822**	**119,933**

Power to Change awarded grants totalling £373,000 to the White Rock Trust between July 2015 and March 2016 to part fund the redevelopment of Rock House in Hastings. Rock House is owned by White Rock Neighbourhood Ventures Limited ("WRNV") a joint venture between White Rock Trust and two other Community Businesses in Hastings. White Rock Trust had a 33% holding in WRNV.

In 2018 Power to Change became aware of difficulties between the partners involved in the joint venture. In order to protect the initial investment of charitable funds Power to Change provided some additional support, including a further grant of £21,000, and agreed to acquire White Rock Trust's 33% holding in WRNV for £nil. This acquisition was made to ensure that Rock House would remain in community ownership and to deliver on the original purpose of the grant. The intention was not to have a beneficial interest in the joint venture and to transfer the investment to another suitable locally based community business.

Power to Change has agreed to transfer the 33% Holding in WRNV to Heart of Hastings Community Land Trust for £nil. The transaction is planned to complete in early May 2019. No distribution was made by WRNV during Power to Change's period of ownership of the shares. Therefore, there will be no gain/loss arising on the temporary ownership of these shares.

Notes to the accounts for the year to 31 December 2018 (continued)

9. Fixed asset investments (continued)

Accordingly, the Trustee Directors have valued the investment in WRNV at 31 December 2018 as £nil in the accounts of the Charity and Group.

Cazenove Capital Management charged fees quarterly based on the daily average value of the portfolio over the quarter. Investment fees include unrecoverable VAT. Their fees are 0.15% on the reserve portfolio and 0.2% on the growth portfolio.

The social investment in 2018 of £8,475,500 (2017: £5,000,000) relates to Community Owned Renewable Energy LLP which is a joint venture with Big Society Capital. At 31 December 2018, Power to Change had a commitment to invest up to a further £1,524,500 into Community Owned Renewable Energy LLP.

	2018		2017	
	Group £'000	**Charity £'000**	**Group £'000**	**Charity £'000**
Commercial investments				
Capital invested/(withdrawn) in the year:				
Cazenove Capital Management	(33,160)	(33,160)	(20,000)	(20,000)
Lloyds Bank	8,140	8,140	3,302	3,302
	(25,020)	(25,020)	(16,698)	(16,698)
Income reinvested	883	883	2,020	2,020
Management fees paid from capital	(178)	(178)	(359)	(359)
(Losses)/gains on investment values	(891)	(891)	2,171	2,171
	(25,206)	**(25,206)**	**(12,866)**	**(12,866)**
Social investments				
Investment in CORE LLP	–	3,476	–	5,000
Share of joint venture net assets	3,289	–	4,889	–
Share of White Rock Neighbourhood Ventures Ltd	–	–	–	–
	3,289	**3,476**	**4,889**	**5,000**
Decrease in investments	**(21,917)**	**(21,730)**	**(7,977)**	**(7,866)**
Brought forward investments	119,822	119,933	127,799	127,799
Total investments at the end of the year	**97,905**	**98,203**	**119,822**	**119,933**

Notes to the accounts for the year to 31 December 2018 (continued)

Social investments

Power to Change Trust has invested in the following entities as part of its commitment to community owned energy businesses:

Company	Shares held %
PTC Renewable Energy Ltd (10847365)	100
Community Owned Renewable Energy LLP (OC418078) (Joint venture with Big Society Capital)	50
CORE Aries Ltd (11081463) (as 100% subsidiary of CORE LLP)	50
CORE Newton Downs Ltd (08559996) (as a 99.99% subsidiary of CORE Aries Ltd)	50
CORE Libra Ltd (11653375) (as 100% subsidiary of CORE LLP)	50
CORE Scorpio Ltd (11653373) (as 100% subsidiary of CORE LLP)	50
Sheriffhales Solar CIC (09643746) (as 50% subsidiary of CORE Scorpio Ltd)	25
CORE Aquarius Ltd (11653365) (as 100% subsidiary of CORE LLP)	50
Orchard Farm Community Solar 2 CIC (09606654) (as a 100% subsidiary of CORE Aquarius Ltd)	50
CORE Gemini Ltd (11653374) (as 100% subsidiary of CORE LLP)	50

The registered office for PTC Renewable Energy Ltd is The Clarence Centre, 6 St George's Circus, London SE1 6FE. The registered office for all the other subsidiaries is W106 Vox Studios, 1–45 Durham Street, London SE11 5JH.

Notes to the accounts for the year to 31 December 2018 (continued)

9. Fixed asset investments (continued)

The Group's share of the income, expenditure, assets and liabilities of CORE LLP and its wholly owned subsidiaries (CORE Group) are:

	2018		2017	
	CORE Group £'000	PTC 50% Share £'000	CORE Group £'000	PTC 50% Share £'000
Income for the year	600	300	3	1
Net loss for the year	374	187	222	111
Net assets	16,356	8,178	9,778	4,889

10. Debtors (Group and Charity)

	2018 £'000	2017 £'000
Prepayments	91	472
Advances to intermediaries	1,206	799
Other debtors	273	709
	1,570	**1,980**

The advances to intermediaries represent funds advanced to Power to Change's delivery partners for onward advance to grantees but which had not been defrayed at the end of the financial year.

11. Creditors (Group and Charity)

	2018 £'000	2017 £'000
Due within one year		
Trade creditors	390	202
Grants payable	12,569	10,402
Accruals	282	365
Other creditors	95	61
	13,336	**11,030**
Due after one year		
Grants payable	573	622
	573	**622**

Notes to the accounts for the year to 31 December 2018 (continued)

12. Related party transactions

During the year Power to Change Trust made an equity investment of £3,475,500 (2017: £5,000,000) into **PTC Renewable Energy Ltd**. For the period ended 31 December 2018, this company had nil income and nil profit. The funds invested into this subsidiary company have been used to make a capital contribution to CORE LLP. Power to Change has committed to invest up to a further £1,524,500 into CORE LLP via PTC Renewable Energy.

During the year PTC Renewable Energy Ltd and Big Society Capital each made a capital investment of £3,475,500 into **CORE LLP**.

For the period ended 31 December 2018 there was no intercompany trading between any of these entities or any of these entities and Power to Change Trust.

At the end of September 2018, Peter Jenkin's employment as Interim Chief Executive came to an end. From October 2018 Peter Jenkins has provided consultancy to the Energy Programme and is also a Director of PTC Renewable Energy Ltd.

One of the Trustee Directors of the Trust is a director at the Onion Collective CIC. During the year Power to Change paid Onion Collective £65,275 for peer brokerage support services and managing networking events. The Power to Change conflict of interest policy requires Trustee Directors to remove themselves from discussions, and excludes them from voting, on matters where they have a conflict of interest.

13. Group funds

	2018			2017		
	Endowment funds £'000	**Other restricted funds £'000**	**Total £'000**	**Endowment funds £'000**	**Other restricted funds £'000**	**Total £'000**
Allocation of assets by fund						
Intangible assets	9	–	9	250	–	250
Tangible assets	38	–	38	46	–	46
Investments	89,727	–	89,727	114,933	–	114,933
Share of joint venture net assets	8,178	–	8,178	4,889	–	4,889
Current assets	7,646	94	7,740	3,969	1,230	5,199
Current liabilities	(13,336)	–	(13,336)	(11,030)	–	(11,030)
Liabilites falling due after one year	(573)	–	(573)	(622)	–	(622)
	91,689	**94**	**91,783**	**112,435**	**1,230**	**113,665**

The National Lottery Community Fund (formally the Big Lottery Fund) income fund is only available to be used in accordance with the funding terms as set out by the National Lottery Community Fund and has therefore been shown as endowment funds within these financial statements.

Notes to the accounts for the year to 31 December 2018 (continued)

13. Group funds (continued)

Movement in Group funds

Movement in 2018

	Balance b/f £'000	Income £'000	Expenditure £'000	Investment losses £'000	Transfers £'000	Balance c/f £'000
National Lottery Community Fund expendable endowment (capital fund)	112,435	–	(120)	(891)	(19,735)	91,689
Total endowment funds	112,435	–	(120)	(891)	(19,735)	91,689
National Lottery Community income fund	–	1,089	(20,824)	–	19,735	–
MHCLG grant	–	110	(90)	–	–	20
MHCLG grant	1,230	–	(1,156)	–	–	74
Total restricted funds	1,230	1,199	(22,070)	–	19,735	94
Total funds	**113,665**	**1,199**	**(22,190)**	**(891)**	**–**	**91,783**

Movement in 2017

	Balance b/f £'000	Income £'000	Expenditure £'000	Investment gains £'000	Transfers £'000	Balance c/f £'000
National Lottery Community Fund expendable endowment (capital fund)	129,849	–	(359)	2,171	(19,226)	112,435
Total endowment funds	129,849	–	(359)	2,171	(19,226)	112,435
National Lottery Community income fund	–	1,942	(21,168)	–	19,226	–
MHCLG grant	–	967	(967)	–	–	–
MHCLG grant	1,800	–	(570)	–	–	1,230
Total restricted funds	1,800	2,909	(22,705)	–	19,226	1,230
Total funds	**131,649**	**2,909**	**(23,064)**	**2,171**	**–**	**113,665**

Notes to the accounts for the year to 31 December 2018 (continued)

14. Financial Instruments (Group)

	Fair value £'000	Amortised cost £'000	Non-financial instruments £'000	2018 Total £'000	Fair value £'000	Amortised cost £'000	Non-financial instruments £'000	2017 Total £'000
Assets:								
Intangible assets	–	–	9	9	–	–	250	250
Tangible assets	–	–	38	38	–	–	46	46
Investments	89,727	8,178	–	97,905	114,933	4,889	–	119,822
Cash at bank and in hand	–	6,170	–	6,170	–	3,219	–	3,219
Debtors	–	1,479	91	1,570	–	1,508	472	1,980
Liabilities:								
Creditors: amounts falling due								
Within one year	–	(13,336)	–	(13,336)	–	(11,030)	–	(11,030)
After one year	–	(573)	–	(573)	–	(622)	–	(622)
	89,727	**1,918**	**138**	**91,783**	**114,933**	**(2,036)**	**768**	**113,665**

Notes to the accounts for the year to 31 December 2018 (continued)

The income, expenditure and net gains and losses recognised in the statement of financial activities during the period to 31 December 2018 by category are shown below:

	2018			2017		
	Fair value £'000	Amortised cost £'000	Total £'000	Fair value £'000	Amortised cost £'000	Total £'000
Investment income	1,066	23	1,089	1,904	38	1,942
Investment management fees	–	(120)	(120)	–	(356)	(356)
Net (losses)/gains on investments	(891)	–	(891)	2,171	–	2,171
	175	**(97)**	**78**	**4,075**	**(318)**	**3,757**

All financial instruments measured at fair value are stated at market price as at 31 December 2018. No current financial instruments measured at fair value are unquoted. Total interest income for financial instruments in 2018 was £672,615 (2017: £524,028).

15. Operating leases

The charity expenses all rentals under operating leases. During 2018, these costs were for specific low value items and are therefore not disclosed as not deemed material.

16. Status of the Charity

Power to Change Trustee Ltd (Company No. 8940987) is the corporate trustee of Power to Change Trust. The charity came into existence on 21 January 2015 upon receipt of the endowment of £149 million from the Big Lottery Fund.

17. Capital commitments

In the year, amounts contracted for, but not provided in the financial statements for application development, amounted to £nil (2017: £23,471).

Notes to the accounts for the year to 31 December 2018 (continued)

18. Consolidated statement of financial activities

For the year ended 31 December 2017

	Notes	Endowment funds £'000	Restricted funds £'000	2017 Total funds £'000
Income & endowments				
Funding		–	967	967
Investment income	2	1,942	–	1,942
Total		**1,942**	**967**	**2,909**
Expenditure on:				
Raising funds		356	–	356
Charitable activities:				
Grants awarded	6	16,053	1,537	17,590
Grantee support		2,004	–	2,004
Market development		1,278	–	1,278
Research		1,725	–	1,725
Share of joint venture loss		111	–	111
Total	3	**21,527**	**1,537**	**23,064**
Net gains on investments		2,171	–	2,171
Net expenditure		**(17,414)**	**(570)**	**(17,984)**
Reconciliation of funds:				
Total funds brought forward		129,849	1,800	131,649
Total funds carried forward	13	**112,435**	**1,230**	**113,665**

Reference details and details of advisors

Registered Office
The Clarence Centre
6 St George's Circus
London SE1 6FE

Company number (of Power to Change Trustee Ltd)
8940987

Charity Commission number
1159982

Protector
Susan Johnson (appointed November 2018)

Auditor Crowe U.K. LLP,
St Bride's House,
10 Salisbury Square,
London EC4Y 8EH

Bankers
Lloyds Banking Group,
10 Gresham Street,
London EC2V 7AE

Investment Fund Managers
Cazenove,
1 London Wall Place,
London EC2Y 5AU

Solicitor
Wrigleys Solicitors LLP,
19 Cookridge Street,
Leeds LS2 3AG

Power to Change
The Clarence Centre
6 St George's Circus
London SE1 6FE

020 3857 7270

info@powertochange.org.uk

powertochange.org.uk

@peoplesbiz

Registered charity no. 1159982

If you require this guidance to be sent to you in large print, braille or an audio transcript, please get in touch by email to comms@powertochange.org.uk

Design: red-stone.com