power to change | business in community hands

COMMUNITY FUND

Annual report
2019

Five years of supporting community business

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Message from the Chair and Chief Executive

Power to Change was established to give real momentum to the community business sector, enabling it to grow and expand its impact in neighbourhoods across the country.

Our role as a champion for the sector has never been more important than in the face of Covid-19. Across the country, community businesses have stepped up in this crisis. They are at the forefront of efforts to ensure that no one goes hungry, that the need for physical isolation does not result in acute loneliness and that they provide a backbone for thousands of new volunteers to play an active part in their communities. Community businesses have innovated at pace driven by the needs of those around them.

Rising to the challenge

However, we know that many community businesses are facing real financial challenges as a result of the crisis. On average, more than half of their income is from trading and much of this has been badly affected by social distancing, or indeed stopped altogether.

In response to these challenges, we are proud to have invested £12m to support community businesses: £7m on short-term emergency funding to address trading income losses, and a further £5m to focus on ensuring these organisations recover well and can be catalysts for the economic and social rebuilding of their neighbourhoods.

> Community businesses have innovated at pace driven by the needs of those around them.

In putting this support package together, we have been guided by our organisational values: to be bold, open, collaborative and informed. We have expanded our support to the wider sector rather than focusing only on our grantees. We have co-designed our response with our core strategic partners – Locality, Plunkett Foundation and Co-operatives UK – and relied heavily on our panel of 16 community business leaders to inform our approach. And we will use our learning from this emergency funding to understand how we should focus our recovery support.

We are also drawing on the wider strengths of Power to Change to support those we cannot directly fund. We have made a new financial benchmarking tool freely available through our online platform, Twine, to help with business planning. We are directing community businesses to other sources of help and advice and funding a mutual aid group for all community businesses to connect with and support each other. And we are working with partners to influence government. One notable success in this area so far has been a six-month extension in access to the government's subsidy scheme for community groups taking on solar farms.

2019 in review

Looking back, 2019 was our most successful year yet. We invested £24,949k in community businesses across England through grants and grantee support, more than in any previous year, and continued to meet our target to put 60% of that funding into the 30% most disadvantaged communities in the country. For example, our grant to Equal Care Co-op in Halifax funded their innovative health and social care platform. In St. Helens, Merseyside, Parr Sports used our grant to transform a run-down youth centre into an invaluable sports centre with boxing at its heart and this is contributing to a reduction of crime in the area. Outside of our emergency response, Power to Change has now invested £70m in more than 1,000 community businesses since 2015.

We are also clearer now about the unique position we occupy in the funding landscape. We are the only significant funder focused on trading organisations and supporting business model innovation, for example in community energy. We fund a greater diversity of legal forms than others and are one of the few grant funders engaged in blending loan, grant and community shares to adapt social investment to the needs of smaller organisations. We are a major source of capital funding for communities wanting to take on or revitalise community assets, and we fund a higher proportion of early stage organisations than many other foundations.

The impact of the unique position we occupy is increasingly evident as our data collection and impact measurement mature. Our More than a Pub programme, in partnership with the Ministry of Housing, Communities and Local Government, has enabled 43 communities to take on their local pub and run it as a community hub. Many of these pubs have been instrumental in supporting local people during the Covid-19 crisis.

Our work with strategic partners in Bristol and in Liverpool City Region has borne fruit. Power to Change is investing alongside Bristol Council and the Liverpool Combined Authority to ensure long-term support is available for community businesses as part of our legacy in these priority places.

The £70m we have invested so far into the overall marketplace has been matched by a further £70m from social investors, community investment and regional and national government. We have also secured significant in-kind resources for community businesses, including access to specialist skills from companies such as Marks & Spencer and PricewaterhouseCoopers.

£70m

Outside of our emergency response, Power to Change has now invested £70m in more than 1,000 community businesses since 2015.

> We are a major source of capital funding for communities wanting to take on or revitalise community assets.

In addition, we have used our policy and advocacy work to inform and influence national, regional and local government, to improve the wider environment in which community businesses operate. In 2019, our work focused particularly on community assets and the role of community business on the high street. We were particularly pleased to see a commitment to a £150m Community Ownership Fund in the Conservative Manifesto.

Looking forward

Activity in the year 2020 will be dominated by responding to the Covid-19 crisis. Community businesses are facing particular challenges. Many have neither been able to benefit from grants available to small businesses, nor from charitable business rate relief; there is a clear risk that the sector could be severely impacted, hence our emergency support outlined on page 3. As it unfolds, we will consider how best to use our resources to support community businesses to rebuild and restart the ambitious plans they had. They have argued strongly, and we have listened, that Power to Change is needed not just for the immediate emergency phase, but also for the medium term.

> We are confident there remains an important role for our organisation to support the community business market to mature and raise its profile so it can draw support from quarters beyond our expected close in 2022.

But responding to Covid-19 will not be all we do. Many of our existing programmes continue, whether that is supporting community groups to secure planning permission for new homes or enabling new groups to become established and take on their first project. As we adjust to working differently, we will also find new ways to continue to make the case for community business, ensuring that we start to build a legacy for the work of Power to Change.

Planning for the next stage of Power to Change remains a priority for this year. We are confident there remains an important role for our organisation to support the community business market to mature and raise its profile so it can draw support from quarters beyond our expected close in 2022.

That case has only been strengthened by the Covid-19 crisis, and by our ability to step up and enable community business to get through it. However, given the current uncertainty over further funding, once our current endowment is spent we must also start to plan how to bring this phase of Power to Change to a close and maximise our impact and legacy.

The Covid-19 crisis has placed us all under increased pressure, as we adjust to new ways of working and to the acute challenges for those we support. We are incredibly grateful to the Board and team at Power to Change and to all our partners and collaborators for their willingness to work at pace, adapt and continue to focus on our collective mission to support community businesses across England.

Finally, in 2019 as an organisation we achieved a 0% median gender pay gap, and we are proud to continue as an employer with pay equality. This is one of the contributions to the recognition by our staff in our recent engagement survey, where 93% responded positively to the statement 'I would recommend Power to Change as a good place to work', and 83% replied positively to the statement 'I am rewarded fairly for the contribution I make in my job', both outstanding scores.

Stephen Howard
Chair

Vidhya Alakeson
Chief Executive

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.

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.

Our programmes

We directly support community businesses with funding and capacity building through many varied programmes.

Community Business Fund	Supports existing community businesses with funding for a business development project to make their organisation more sustainable.
Blended Finance	Works with other organisations to use our grant funding to unlock extra investment from social investors, leveraging more money into the community business sector.
Homes in Community Hands	Our programme to develop the next generation of community-led housing. The programme invests in community-led projects at the pre-planning stage and sector infrastructure in specific city regions.
Community Shares Booster	Gives business development support to help launch community share offers. Consists of a development support grant of up to £10k. Also, up to £100k match funding in the form of an equity investment.
Community Business Bright Ideas	Supports groups to turn an idea for a community business into reality. Provides one-to-one business development support and a small grant of up to £15,000 to explore and test the feasibility of an idea, to engage and win the support of the wider community, to establish the right legal and governance structures, to develop a viable business plan, or to lay the groundwork for purchasing and developing an asset.
Peer Brokerage	Funds networks who will then improve the support available for community business and build the capacity and sustainability of the sector.

More than a Pub	Supports pubs over the course of two years to become community-owned multi-purpose facilities, responding to local needs and providing varied community benefits and services. Community groups in England receive a comprehensive package of business development support, peer support and visits, plus loan and grant funding.
Community Business Trade Up	Supports early stage community businesses to grow their traded income through a combination of a small grant of up to £10k matched against an increase in trading income, and an action learning programme delivered in eight locations across the country.
Empowering Places	Harnesses the potential of community business to reduce poverty and inequality in six places, by building long-term partnerships with locally rooted catalyst organisations and supporting their capacity to affect change in their communities.
Next Generation Community Energy	Supports the transfer of existing solar farms into community ownership and the development of new and innovative community energy projects and business models, with a package of targeted grant funding and support.
Cities and Counties	A systems-level approach to place-based funding, working across the geographic scale of a city region or county, to learn about what conditions are needed to enable community business to thrive, and to work with stakeholders to implement these in each place.

How we delivered against our priorities in 2019

In our 2018 annual report we laid out the key areas we would focus on in 2019 to support our long-term objectives.

Here we report on our performance against those priorities by theme.

Support for community businesses

Sector	Focus in 2019	What we achieved
Funding	– 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.	– Through the Community Business Fund, we awarded £7,780k (excluding grant withdrawals relating to earlier years) to 40 established community businesses to support their growth plans. This funding was supported by capacity building offers matched by our 16 community business peer brokers. – We supported 213 early stage community businesses. This included 54 grants totalling £698k and 600 business development days to early stage community businesses through our Community Business Bright Ideas programme, delivered by our partners Locality. We also awarded £790k (excluding grant withdrawals relating to earlier years) and supported the development of 79 community business leaders through our Community Business Trade Up programme, in partnership with School for Social Entrepreneurs. – We enabled more than £4,000k raised in community shares by 5,220 community investors in 2019, investing £621k to match that raised by communities. Our joint Crowdmatch programme with Crowdfunder helped raise a further £312k from 3,251 supporters. – We partnered with Social Investment Business to help a community business unlock more than £650k from the Public Works Loan Board using a £50k grant from Power to Change. – Our partnership with Key Fund provided more than £1m in blended finance to community businesses in areas of high deprivation. Of that, 100% went to organisations which work in areas where the Index of Multiple Deprivation is three or lower, with a focus on the acquisition and financing of community assets. Our Community Business Panel awarded 58 seed grants of up to £500 to very early stage ideas from organisations in their network.

Sector support

Sector	Focus in 2019	What we achieved
Housing	– Continue to provide support to community housing groups to realise their plans for new build housing schemes to meet the needs of their local areas. – Look at how to support the refurbishment and transfer of existing properties into community hands, to enable community businesses to house more vulnerable local residents	– Working closely with our strategic housing, funding and delivery partners, we continued to support and invest in the development of well-networked housing enablers in five city regions: Birmingham, Bristol, Leeds, Liverpool and Tees Valley. – We invested directly in 13 community-led housing initiatives and a further nine through a blended finance offer. – We invested in 15 community-led housing groups, targeting socially excluded people to start new groups and to take leadership roles in existing ones.
Energy	– Purchase up to five solar farms through the Community Owned Renewable Energy (CORE) joint venture. These will be for transfer to the community, and to 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.	– The CORE portfolio was completed in 2019, having invested in nine solar farms with the intention of transferring these into full community ownership by 2022. – The Next Generation Community Energy programme awarded grants totalling £437k to five projects, enabling them to research and develop their innovative ideas. A further six community businesses were selected for the research and development phase of the programme, with more than £600k awarded to date.
Health and social care	– Support a small number of exemplar organisations and places to invest in a community-led approach to build understanding among key stakeholders of the positive benefits that community businesses can create in the delivery of health and social care services.	– We invested £158k in three community businesses across a range of activities in health and social care to better support their local communities. – We invested in two places. In Liverpool we co-funded Nesta, with Liverpool City Council, to deliver a 100-day challenge, to test ideas that support children, young people and families in their neighbourhoods. The results will be reported later in the year. In Keighley, Bradford, we invested £105k alongside GiveBradford to support community-led approaches to social prescribing.

Sector support (continued)

	Focus in 2019	What we achieved
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.	– The second phase was launched in June 2019 with a budget of £2,200k. Since then, the new programme has provided early stage support to more than 50 community groups wishing to take control of their pub. Over the year, the pub groups supported raised £2,760k in community shares, which are held by 3,089 shareholders. The programme also received a £650k boost from the Ministry of Housing, Communities and Local Government.
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.	– The interim report was published in September 2019 and, with partners, we are actively seeking contributions to fill in the gaps in our collective knowledge and understanding and gather interest or support to take specific ideas forward. – Our approach has been to address unmet asset transfer opportunities through our Community Business Fund, the key programme for the acquisition, refurbishment and redevelopment of assets.

Priority places

	Focus in 2019	What we achieved
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 them to the strategic agendas in each area, demonstrating their potential to deliver on key local priorities.	– We partnered on the development of Bristol City Funds to commit £250k to this newly established place-based investment fund, to support the growth of community businesses in the city with blended finance. – We funded intensive capacity building and support to Black, Asian and minority ethnic community businesses and organisations via Black South West Network in Bristol. – We withdrew priority place status from Suffolk, following a review of the impact of our investment.
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.	– We made the difficult decision to reduce our Empowering Places areas to six places, with Luton no longer being designated as one of our priority places. These six places are supporting 60 new community business — 23 are already trading and 28 have received seed grant funding support. – Our catalysts have been allocated £290k capacity support so far and all six now have three-year grants, responding to their requests for certainty of Power to Change's commitment beyond annual grant agreements. In total, the seven places have received just under £4m.

Creating an enabling environment

	Focus in 2019	What we achieved
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.	– We hosted a two-day joint senior management team meeting with Locality, Plunkett Foundation, Co-operatives UK and Power to Change to formalise our agreement to work together for the long-term sustainability of the community business sector. – We invested in the My Community platform, a sector-wide partnership of 12 community support organisations combining knowledge and skills to improve access and relevance of information to the community sector, which is due to launch in 2020. – Our continued support for Keep it in the Community encouraged greater community use and engagement to improve the processes to enable registration of Assets of Community Value, of which it has more than 6,000 records. It also holds details of more than 9,000 community-owned assets. – We pivoted Twine, our data collection platform, to focus more on the digital transformation of community businesses. In the process, we more than doubled the number of users of our products while halving the annual running costs.
Partnerships	– Work with several corporate partners, including Marks & Spencer and the Big Issue Invest, to provide tailored packages of financial support and skills-based mentoring to enhance the viability of community businesses.	– We launched the Community Business Challenge with Marks & Spencer in Bristol, Plymouth and Bradford, where £132k was awarded to 16 promising community businesses with Marks & Spencer business support. – Our funding of The Big Issue Invest Power Up programme supported its expansion from the Midlands to cover the northeast of England.

Creating a more enabling environment for community business (continued)

	Focus in 2019	What we achieved
Research and policy	– Continue to commission research to develop evidence 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.	– We published 16 new research studies across themes relevant to community businesses. We published the most comprehensive study of community-owned assets in England in a decade, commissioned research into the resilience of community hubs, and studies of community business landscapes in several of our priority places. – We commissioned evaluations for 12 workstreams, which began in May 2019. This covers our open programmes, sector-specific programmes, place-based interventions and market development workstreams. These evaluations started reporting insights within the year, and evaluators have been working closely with programme teams to ensure learning is integrated into programme design and delivery.
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.	– Two hundred and fifty-one community businesses took part in our annual Community Business Weekend, attracting 17,000 visitors. We created the Community Spirit Index, surveying community spirit in places across Britain and the potential for people to get involved in community business. – We ran targeted PR campaigns in Liverpool and Bristol with photography exhibitions featuring 11 local community businesses, pulling together local coverage and recognition. Films were developed with local community businesses to highlight the key role they play in those places.

Our priorities for 2020

During 2019, we outlined our priorities for the remaining three years of the life of Power to Change in the document Community Business at the Heart of Local Change: Our Strategy 2019–2022.

These priorities are:

1. Support community businesses at every stage of their lives.
2. Engage intensively in priority places.
3. Focus on high-growth, high-potential sectors.
4. Improve market conditions for community business success.
5. Advocate for community business.

These remain our priorities for the long term.

However, our overwhelming priority for the rest of 2020 is to do whatever is required, with the means at our disposal, to support the sector to get through the short- and medium-term effects of the Covid-19 crisis, and then to rebuild through 2021.

We have covered earlier in this Report how our partnership approach and organisational values enabled us to design an initial response to the emerging crisis, one that was tailored to the needs of the sector. Many other foundations laid down in the first five years of Power to Change also served us well in this time, enabling us to act confidently and effectively:

1. We convened our Community Business Panel at short notice and asked them for input to our response to market conditions.
2. Long-established relationships with our infrastructure partners in the sector meant that discussion around the shape of our emergency support was open and transparent from day one of the lockdown
3. Our Research Institute's considerable body of work grounded our response, from the evidence we have gathered on the sector since 2015.
4. The collaborative approach to shaping government policy meant the sector's voice was heard loud and clear as we and other key players shaped the support that came from Whitehall.
5. The place-based funds that Power to Change has been instrumental in catalysing through our Cities and Counties programme were adapted at short notice, for example through Kindred, a social investment and support vehicle for the social economy in the Liverpool City Region.
6. Community Owned Renewable Energy LLP, our innovative partnership set to maximise benefit to the community through renewable energy has unlocked funds early to support communities through Covid-19.

At the end of 2019, our Trustee Board set 12 targets for the management of Power to Change to achieve in 2020, in the form of key performance indicators (KPIs). We will be reviewing how appropriate they remain during the third quarter of 2020. That notwithstanding, we anticipate we will retain the focus on the disadvantaged. In addition, we anticipate there will be a focus on the effectiveness of the emergency funding package we put out into the sector in the second quarter of 2020, and on how we made the case for community business during this stage of the Covid-19 crisis. To that end, we have shared case studies on how community businesses have reacted to meet the needs of their neighbourhoods during the pandemic, studies that have appeared across all media, local, regional and national. This is a key plank of our corporate objective of 'making the case' for community business, which was always envisaged to play a growing role in the latter half of our expected life, building on our objective of 'growing the sector' that dominated in our early years.

Finally, to end on a bright note, clear evidence is emerging that some areas have seen positive change in this period. For example, community shops particularly in remote rural areas have thrived in the main, and the housing sector, while being slightly delayed, does not expect any long-term impact. And just like in mainstream business sectors, start-up opportunities will emerge for communities during the seismic changes underway in society. These opportunities mean our start up programmes such as Community Business Bright Ideas and Community Business Trade Up are as crucial as they ever were.

Gender pay gap

We are pleased to report that as of April 2019 our median gender pay gap was 0% and our mean gender pay gap was -4.94%.

In our organisation, 59.52% identify as female and 40.48% identify as male.

Our current median gender pay gap is similar to that of 2018, which was -0.1%. The mean gap has changed from +4.03% in 2018 to -4.94% in 2019.

We are proud that we continue to be an employer with this high level of pay equality. This was recognised by staff in our recent engagement survey, where 83% replied positively to the question 'I am rewarded fairly for the contribution I make in my job'.

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 the same or similar work. We continuously review our pay and reward decisions to make sure we comply with equal pay legislation.

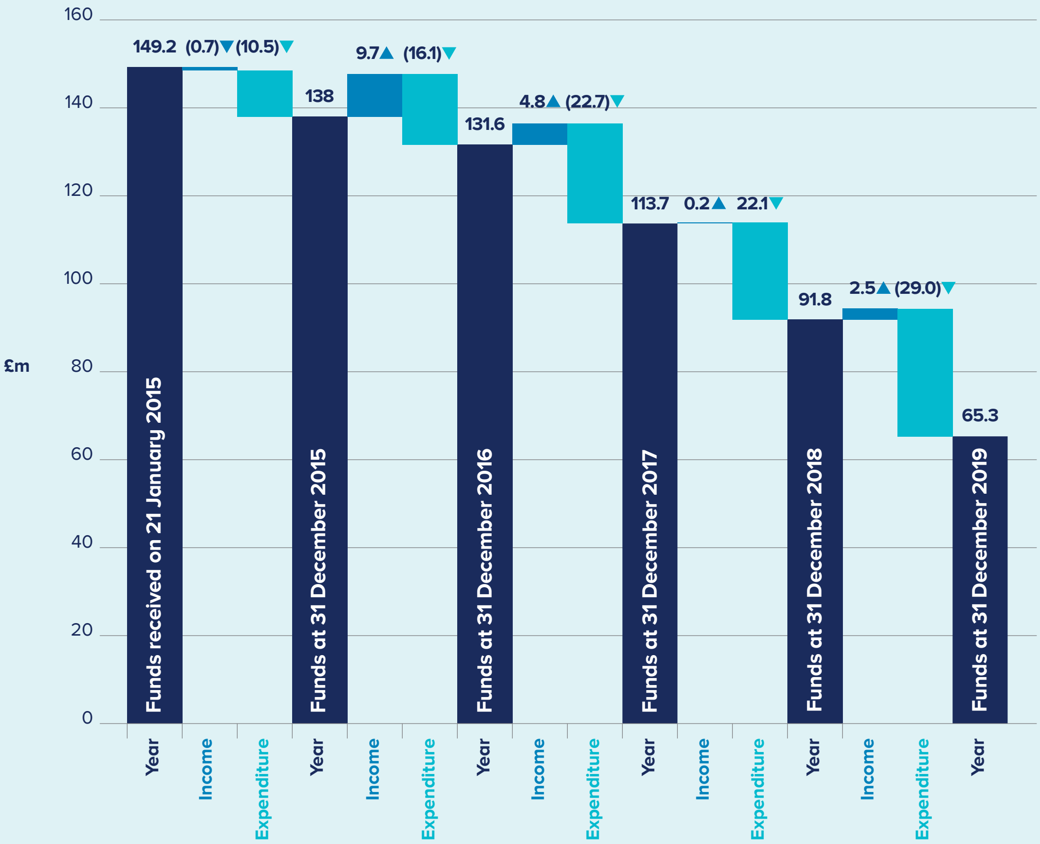
We will continue to review our pay and reward practices to make sure we maintain pay equity. We also have a wider programme of work to review and improve all our practices to make sure we have a diverse and inclusive workforce.

All organisations with more than 250 employees publish details of their gender pay gap. Although Power to Change does not have more than 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 staff.

Financial review

for the year to 31 December 2019

Funds flow over the last five years



The chart illustrates our expenditure across the past five years. In 2018, we invested time evaluating the reach and impact of the programmes we had developed, and as a result expenditure in the year was lower than in 2017. We implemented our updated Business Plan for 2019 to increase our investment in community businesses and this has resulted in an increased expenditure of £28,952k (2018: £22,190k). Our plan remains to invest the remaining £65,302k funds in community businesses across the next three years. Based on our delivery over recent years illustrated left, we are on course to achieve this.

Group investments and funds summary	2019 £'000	2018 £'000
Growth portfolio	7	10,463
Reserve portfolio	15,453	39,112
Investments managed by Cazenove Capital Management	**15,460**	**49,575**
Investment – Community Owned Renewable Energy LLP	**7,896**	**8,178**
Fixed asset investments: cash deposits	29,057	20,152
Fixed asset investments (note 9, page 52)	**52,413**	**77,905**
Current asset investments: cash deposits	20,418	25,000
Total investments	**72,831**	**102,905**
Net liabilities outside investment portfolio	(7,529)	(11,122)
Net assets	**65,302**	**91,783**
National Lottery Community Fund expendable endowment Capital fund	64,652	91,689
MHCLG restricted funds	650	94
Total funds (note 13, page 57)	**65,302**	**91,783**

As noted in the accounting policies on page 39, the 2018 comparative figures have been restated to split cash deposits between fixed asset and current asset investments to better reflect the underlying intention for holding these funds.

Investment strategy

On 21 January 2015, Power to Change received an expendable endowment of £149,204k from The National Lottery Community Fund (formerly the Big Lottery Fund) for its activities supporting and developing community businesses over seven to 10 years. The investment of this expendable endowment has been managed by Cazenove Capital Management who were selected through a competitive tender process.

Initially the portfolio combined both cash and investments. In November 2017, Power to Change sold the great majority of its equity and property fund investments. By the end of September 2019, based on our detailed plans to fully commit funds by the end of 2022 and the consequent need to remove investment risk, all investments had been converted to cash and no funds were held in foreign currency. The investment portfolio is now solely cash deposits.

These changes in investments in the past year mean that funds managed by Cazenove have reduced from £49,575k (48% of total investments) in 2018 to £15,460k (21%) at the end of December 2019.

The majority of cash deposits are now outside of the portfolios managed by Cazenove. To limit counter party risk, 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.

Cash deposits held in addition to the Cazenove-managed funds at 31 December 2019 were £49,475k (2018: £45,152k). These funds are analysed in the balance sheet between fixed asset investments, which are funds expected to remain on deposit for at least 12 months from the balance sheet date, and current asset investments, which are funds expected to be used within the next 12 months. These cash deposits represent 68% (2018: 44%) of the investment portfolio.

In addition, the Trust has made a social investment in Community Owned Renewable Energy LLP (CORE LLP), a joint venture between Power to Change and Big Society Capital. We invested £8,476k across 2017 and 2018 to acquire a 50% share in this joint venture.

The CORE LLP portfolio completed in 2019 and no further investment is planned. It has invested in nine solar farms with a combined capacity of circa 40MW. CORE LLP works alongside local community energy groups to support, develop and refinance these solar farms with a view to maximising the benefit for these communities over the life of the investment venture. CORE LLP is helping community groups to raise the funds necessary to fully transfer the ownership of the acquired solar farms into community hands by 2022.

The investment is stated at cost less the Trust's 50% share of the CORE Group losses since acquisition in the group balance sheet. At 31 December 2019, the investment was valued at £7,896k (2018: £8,178k). The consolidated results of CORE LLP and its subsidiaries are summarised in note 9 on page 52. It is anticipated that following the successful restructuring and refinancing, the original investment of £8,476k will be repaid in full, although the risks associated with this are discussed in more detail on page 24.

Investment performance

The closing value of fixed asset investments and their movement during the financial year is summarised in note 9 (page 52).

During 2019, the value of fixed asset investments reduced by £25,492k (2018: £41,917k). The closing market value of fixed asset investments at 31 December 2019 was £52,413k (2018: £77,905k). This reduction is largely cash withdrawn from investments to fund our activities during the year. In addition, the investment funds were reduced by management fees of £84k (2018: £178k) and by recognising our share in the reduction in net assets of the CORE social investment of £282k (2018: £187k).

The investment portfolio benefited from the reinvestment of interest income of £422k (2018: £883k) and gains on investment value of £923k (2018: loss of £891k).

Prior to the sale of its assets, the Growth portfolio generated a gain of £806k (2018: loss of £842k). The small balance remaining in the Growth Fund of £7k is in cash and has been used to settle final management fees in 2020 prior to final closure. The balance at the end of 2018 of £10,463k was invested in absolute return funds.

The Reserve portfolio generated a gain of £117k (2018: loss of £49k). The closing balance of £15,453k at the end of 2019 is a cash deposit. Notice has been given on the deposit and funds will come off deposit in several tranches across 2020. The balance at the end of 2018 was £39,112k with 5.6% invested in hold-to-maturity bonds and the rest in cash.

In addition to the funds managed by Cazenove, £49,475k in cash deposits is managed internally by Power to Change (2018: £45,153k) and are split between fixed and current asset deposits. These deposits earned interest of £423k in 2019 (2018: £357k).

Expenditure

Total expenditure in 2019 was £28,952k. This is a significant (31%) increase compared with 2018 (£22,190k). This increase was in line with our Business Plan and our budget for the year. Most of our grant and market development workstreams have now matured after a period of review in 2018, and we have applied the lessons learned to increase our investment in community businesses in 2019. Our Business Plans assume similar expenditure in 2020 before reducing across 2021 and 2022.

Note 3 on page 45 shows a detailed analysis of expenditure. We increased the value of grants made directly to community businesses by 34% from £12,370k in 2018 to £16,554k in 2019. Note 6 on page 48 provides detail of grant expenditure by programme in each year.

Most of our grant programmes are structured to provide direct support grants to community businesses through structured funding rounds. This can lead to significant changes between years to the amount awarded by an individual programme. Our Community Business Fund made grants, net of withdrawals, of £7,467k in 2019, which is a 48% increase compared to 2018 (£5,044k). We ran two funding rounds across 2019 compared to one, slightly larger round, in 2018. Following discussions with our catalyst organisations who provide support on our behalf to community businesses in our Empowering Places programme, we made three-year grants to the catalysts in 2019. This gives them better certainty of income and allows them to better plan how they deliver support between now and 2022. As a result, grants made through the Empowering Places programme in 2019 of £2,594k are significantly higher than in 2018 (£856k).

We made a £1,000k (2018: £nil) grant to the Social and Sustainable Capital (SASC) Housing Fund. The fund will address a major social issue by increasing the stock of quality homes that will be available to communities for the long term.

While the initial investment will not recycle in the Trust's current lifetime, this investment will contribute to the legacy of Power to Change with long-lasting returns to SASC, who will reinvest long-term in similar community business areas.

Our initial More than a Pub programme concluded its grant making in early 2019. Due to the success of the programme in enabling the opening of 43 community pubs, it has now been extended, helped by additional funding of £650k from the Ministry of Housing, Communities and Local Government. While minimal grants were made in 2019, we plan to make awards in excess of £1,400k in 2020. The £650k is held as restricted funds at the end of 2019.

We have significantly increased the capacity-building support we give to our grantees. Expenditure of £3,160k in 2019 is a 133% increase compared with £1,357k in 2018. This support includes professional advice, training and direct support from peers in other community businesses. We offer this support, in addition to the core grants, within many of our programmes, including Community Business Fund, Community Business Trade Up, Community Business Bright Ideas and Community Shares.

With increased grants and capacity-building support, we have had to work more closely with our delivery partners as they help us provide support across the sector. This means that our costs of delivery have increased to £2,544k (2018: £1,676k).

We have maintained our investment in research at a similar level to previous years: £1,946k (2018: £2,189k) including direct research grants of £364k (2018: £312k). Our Communications programme includes promoting the sector through partnerships and events, including our annual Community Business Weekend. Direct communications expenditure in 2019 of £684k was broadly the same as 2018 (£690k), and direct grants through our partnership with M&S were £132k (2018: £70k) (see note 6).

Support costs in 2019 of £1,298k (2018: £1,167k) includes support staff, governance, rent, IT and office costs. This represents 4.5% of total expenditure (2018: 5.3%).

Funds

Retained funds and movements in the funds are shown in note 13 of the accounts on page 57.

Income generated from the remaining expendable endowment provided by The National Lottery Community Fund (the 'Capital Fund') is added to The National Lottery Community Income Fund (the 'Income Fund') on an ongoing basis. When required, money from the Capital Fund is also transferred to the Income Fund to meet our ongoing expenditure requirements. During 2019, £27,842k was transferred from the Capital Fund (2018: £19,735k). The balance on the Capital Fund at 31 December 2019 was £64,652k (2018: £91,689k).

The Trustee Directors manage our reserves in line with the Reserves Policy, which is reviewed annually (last review: March 2020). The capital reserves represent the remaining expendable endowment. The Board has approved a Business Plan for 2020 to 2022, which allocates funds to programmes and workstreams across this period while retaining a small amount of reserves to ensure the professional closure of the Trust. Therefore, the reserves policy does not stipulate that a specific level of capital reserves is required. The Business Plan informs the preparation of annual budgets and is reviewed annually.

In addition to The National Lottery Community Fund endowment, from time to time we receive additional restricted funds. At the beginning of 2019, two restricted funds totalling £94k (2018: £1,230k) were brought forward. Both funds represented grants received from the Ministry of Housing, Communities and Local Government in earlier years.

The opening balance included £74k relating to the More than a Pub programme. These funds were expended in full during 2019 on bursaries and evaluation of the programme. In accordance with the original grant, the remaining £20k fund was committed to Community Asset Transfer research during 2019.

In December 2019, the Trust was awarded a further grant of £650k (2018: £nil) from the Ministry of Housing, Communities and Local Government to support the continuation of the More than a Pub programme. These funds were carried forward and applied to grants and bursaries under the programme in early 2020.

As noted in the review of the impact of Covid-19 (page 25), the Trustee Directors have considered the retained funds at 31 December 2019, appropriate budgets and forecasts, including revised forecasts reflecting the impact of Covid-19 and are not aware of any material uncertainties that suggest the group cannot continue as a going concern.

Structure, governance and management

Legal structure

Power to Change Trust (the 'Trust' or the 'Charity') is a charitable trust 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 a £149,204k endowment from The National Lottery Community Fund (formerly the Big Lottery Fund). Power to Change Trustee Limited is the sole corporate Trustee. It is a private company (company number 8940987 – England and Wales) limited by guarantee.

Charitable objects

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

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

The Trust's overall vision is 'to make better places through community business' 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.

The Trustee Directors have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and in planning our future activities. They have concluded that the Trust meets the definition of a public benefit entity under FRS 102.

Governance

Board members are directors of Power to Change Trustee Limited and are referred to as Trustee Directors throughout this report. The Trustee Directors are listed below.

The Charity Governance Code has been reviewed and Trustee Directors have chosen to adopt and apply this 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.

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 that 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 post. An operational and governance induction programme is in place. Trustees are given information on the legal duties and expectations of a Trustee and invited, on an ongoing basis, to attend relevant training events paid for by the Trust.

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 13. 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 2019 the Board met five times. All Trustee Directors give their time freely and no Trustee Director remuneration was paid. In 2019, the Trustee Directors claimed £5,491 of expenses (2018: £4,347) in connection with the Trust's business.

The Trustee Directors in post during the year and up to the date of signing of this report were:

Stephen Howard	Chair
Carla Stent	Vice Chair, Chair of the Impact Committee
Leonie Austin	
Samuel Berwick	Chair of the Finance and Investment Committee
Katherine Blacklock	Resigned 12 December 2019
Choong Fai Chan	Chair of the Audit and Risk Committee
David Godden	Chair of the People and Governance Committee
Ian Hempseed	
Dai Powell	
Jessica Prendergrast	
Christopher Stephens	

Vidhya Alakeson has served as Company Secretary of Power to Change Trustee Limited since 20 September 2018.

There are four sub-committees of the Board, who oversee aspects of the Trust's work.

The **Impact Committee** reviews the delivery, risks, success and impact of all grant programmes. In addition, it reviews selected programmes in depth, offering strategic input and constructive challenge to ensure each programme achieves maximum impact for communities. Members met four times in 2019. This committee replaced the Board Grants Committee, which focussed on grant approval and process.

Members: Carla Stent (Chair), Leonie Austin, David Godden, Dai Powell, Christopher Stephens.

All Trustee Directors and Community Business Panel members are welcome to attend meetings of the Impact Committee. The Community Business Panel is made up of 16 community business leaders who meet with members of the Trust's Leadership Team and other staff representatives every quarter to debate, challenge and provide feedback on our plans.

The **Finance and Investment Committee** oversees most financial aspects of the Trust including budgeting, financial and management reporting and investment. It formulates the Trust's investment policy, selects investment managers and monitors investment performance. Members met four times in 2019.

Members: Samuel Berwick (Chair), Katherine Blacklock (resigned 12 December 2019), Carla Stent, Stephen Howard (from 27 January 2020).

The **Audit and Risk Committee** oversees all systems of control at the Trust, including the annual audit and all its risk management processes. Members met three times in 2019.

Members: Choong Fai Chan (Chair), David Godden, Neil Spence, Dai Powell (from 12 December 2019).

Neil Spence, who is not a Trustee Director, serves as an independent member of the Audit and Risk Committee.

The **People and 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. Members met three times in the year.

Members: David Godden (Chair), Stephen Howard, Christopher Stephens.

Key management personnel

The Chief Executive and her colleagues on the Leadership Team comprise the key management personnel in charge of directing and controlling the Trust on a day-to-day basis. The Leadership Team comprised:

Vidhya Alakeson	Chief Executive
Linda Cherrington	Director of Finance and Operations (February 2019 to July 2019)
Maxine Draper	Director of Finance and Resources (from March 2020)
Alex Fowles	Interim Director of Finance and Operations (January 2019 to February 2019 and August 2019 to March 2020)
Mark Gordon	Director of Communications and Partnerships
Richard Harries	Director of Research and Development
Kate Stewart	Director of Programmes

Leadership Team pay is reviewed annually by the People and Governance Committee. Their remuneration, and the remuneration of all staff, is benchmarked with grant making charities and commercial entities of a similar size and activity. This is to ensure that the remuneration set is fair and consistent with that generally paid for similar roles.

Fundraising

The Trust 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.

Grant making policy

Grant making is core to the Trust's activities. Grant making processes are governed by the Grants Policy Framework which was last revised in February 2019 and was approved by the Board and given the consent of the Protector.

The Board has appointed the Executive Grants Committee (EGC) as an executive decision-making body of the Trust with delegated authority to award grants in accordance with the Trust's objectives and to ensure that all grants are awarded in line with the Grants Policy Framework. The EGC reports directly to the Impact Committee. Grants over £500k require approval of the Board.

The EGC has the power to delegate grant decisions to sub-committees. These sub-committees, which are often run in conjunction with the Trust's delivery partners, have terms of reference which include membership, voting and a maximum grant value they can award.

Most grants made by the Trust to community businesses are through its grant programmes. The Trust invites applications for these grants through its website, through its partner websites, news boards, email bulletins and other relevant publications.

Some grants are made as part of the process of developing new programmes or to further the work of the Research Institute. The process and authority levels for approving these grants follow the same processes as grants made through grant programmes.

Risk management

The Trustee Directors recognise that the effective management of risks is central to the Trust's 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 on 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. This was last reviewed and approved by the Trustee Directors in December 2019.

The key risk review and reporting mechanisms at Power to Change are:

- **Risk register and matrix.** Together these form the Trust's primary mechanism for considering long-term risks, set in the context of the Trust's risk appetite. They identify all known long-term risks and assign them for management, according to their likelihood and impact, to both an individual member of the Leadership Team and Board committee. They are reviewed regularly by the Leadership Team and annually by the responsible Board committee, the Audit and Risk Committee, and the Board.
- **Key Performance Indicators (KPIs).** Strategic objectives are identified annually, with associated KPIs. These are the tools by which the Trust measures its performance against identified short-term risks. They are reviewed quarterly by the Leadership 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 are prepared monthly. Reforecasts are produced at least quarterly, and budgets are produced annually. These are reviewed by the Finance and Investment Committee and the Board.

The last formal full review of the risk register and framework by the Trustee Directors was in December 2019. The Trustee Directors also considered both the additional risks and those that had changed as a result of the Covid-19 pandemic in June 2020.

The most significant areas of risk (after considering mitigating actions) are summarised on page 24 together with a summary of the impact of, and the additional risks presented by, Covid-19 on the Trust.

Summary of significant risks

Area of risk	Mitigations
Our inability to retain key staff, difficulty managing staff workloads and poor staff morale as the winding down of operations in 2022 approaches, affects the delivery of the Business Plan.	We have engaged change consultants to help us plan for the orderly wind down of operations in line with our Business Plan. This will include a plan to retain key staff as 2022 approaches. Staff are being encouraged to actively engage with this consultation and to help us develop an agreed approach. Monitoring of staff morale is provided by staff surveys, team meetings and workshops. Future meetings and workshops will be informed by the recommendations of the change consultants as they prepare their plans across 2020. We have put in place additional staff learning and development support for 2020 to help staff identify their future career goals and to develop relevant skills to help meet these goals.
We are unable to demonstrate sufficient 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. Communities, community businesses and the evaluators are fully involved in shaping what we do on an ongoing basis and we adapt our plans in response to feedback and learning. We actively commission research and work cross-functionally to inform learning and shape approach. We collaborate and share progress with other funders. The Impact Committee reviews the impact of programmes at its meetings.
Our Business Plans assume that our investment in Community Owned Renewable Energy LLP (CORE LLP) will be returned in late 2021 to fund activities in 2022. If there are delays to the restructuring, refinancing and sale of the community energy businesses owned by CORE LLP, some or none of these investment funds may be available in 2022. Failure to complete the CORE project on a timely basis may also have a reputational impact on the Trust.	We work very closely with the team managing CORE, our joint venture partners and the community groups investing in the community energy businesses, to ensure the project continues to plan. We regularly monitor and update our Business Plan including reviewing scenarios where CORE investment funds are not returned in full before the end of 2022 so that we can adapt our activities, based on current priorities and available funds, as we approach 2022.

Impact of Covid-19 on the Trust

The Power to Change Business Plan is to spend our endowment from The National Lottery Community Fund to support and develop community businesses over seven to 10 years. At the end of December 2019, the Trust had reserves of £65,302k and a detailed Business Plan to spend these reserves over the period to December 2022.

The Covid-19 pandemic does not change this Business Plan, but as the scale of its impact on community businesses became clear, we chose to adapt our plan so that we could provide immediate support to community businesses across England. On 30 April 2020 we announced a £12,100k support package to provide grants of up to £25k to community businesses that can demonstrate an expected loss of trading income over a three- to six-month period. The package has an initial £5,000k to support 250–300 community businesses: the C-19 Emergency Trading Income Support Scheme. Eligibility for this is our grantees and former grantees and members of our strategic partners – Locality, Plunkett Foundation and Co-operatives UK, all of whom played a key role in designing this response. In addition, we launched a £2,100k fund to support Community Business Fund applicants and grantees.

A further £5,000k recovery scheme for the wider community business sector is currently due to be rolled out later in the year based on learning from the initial £5,000k of awards.

We are also developing a scheme to support community businesses currently participating in our Community Business Bright Ideas programme.

These initiatives have been funded by scaling back future activity in several programmes without reducing the Trust's commitment to current grantees and delivery partners.

With significant reserves, Covid-19 has had no direct impact on the Trust as a going concern. Our IT infrastructure has allowed staff to work from home without significant disruption and we have recently reviewed and strengthened our cyber-security arrangements where necessary. We have been able to pay suppliers and staff as payments fall due. We are not reliant on any significant income from third parties. Our investments are now all cash deposits, so we have not been exposed to any investment losses as a result of uncertain market conditions. Our forecasts have been adjusted for lower interest income, but this has no material impact on our Business Plan.

Risks associated with Covid-19

Inevitably, the Covid-19 pandemic will impact the three significant risks discussed on page 24. Engaging with staff as we plan for 2022 is more difficult while the team is working remotely, and as we have prioritised developing our sector response to the crisis, so progress on planning for 2022 has been slower than anticipated. But, at this point, we do not anticipate there will be a significant adverse impact. Similarly, work in some of our priority places has suffered from some short-term delay but, again, at this point we do not anticipate any long-term impact.

We will be starting the crucial refinancing stage within the CORE project in the next three months. Based on conversations with CORE's advisors, we believe that this can be completed, and our investment will be repaid in full, with a small return. However, at this point we think it prudent to consider whether the economic impact of the pandemic means that the refinancing will take longer than originally envisaged. Therefore, we are developing financial scenario planning so we can ensure we can adapt the delivery of our other programmes if the investment funds take longer than expected to be returned.

While planning for the next stage of Power to Change remains a priority, engaging with potential funders will be more difficult while organisations are coping with the challenges of Covid-19. We are continuing to maintain regular dialogue and develop our relationships with potential future funding partners.

While we believe that we have developed a positive response to the challenges presented by Covid-19 we are aware that we cannot meet the expectations of every community business and not everyone will agree with how we prioritised our response. This may lead to some negative reputational impact. However, our emergency support programmes are based on strong research data and we are regularly updating the sector on our plans to help community businesses and our delivery partners understand our approach to tackling the emergency.

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 13.

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 4 June 2020 and signed on their behalf by:

Stephen Howard
Chair

Protector's statement

Background

I was appointed as Protector of the Power to Change Trust ('the Trust') on 1 November 2018 for a period of three years. 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 it 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 that require improvement and steps to be taken by the Trustee to affect 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:

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

The permitted methods of achieving the objectives are widely drawn within the Trust Deed and the Fund 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, while 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

During the year, I attended all Board of Trustees meetings and either in person or by telephone attended all the meetings of the People and Governance Committee, two of the Impact Committee, three of the Finance and Investment Committee and two of the Audit and Risk Committee. In addition, I met or corresponded with the Chair and Chief Executive on specific matters and attended an induction for Protectors held by the Fund. I corresponded with the Fund representatives and there have been no matters of significant concern that have required notification to the Fund.

I am satisfied that the Trust has been administered in accordance with the terms of the Trust Deed for the period 1 January 2019 to 31 December 2019.

Board of Trustee Directors and Executive changes

There were 10 Trustee Directors in post as of 31 December 2019. One Trustee Director, Katherine Blacklock, stepped down during the year and the Chair, with the agreement of the Board, proposed not to seek the appointment of a replacement given the time remaining for spend down of the endowed fund. This has not adversely affected quoracy or skills mix on the Board although the Chair recognises the impact on the Board gender diversity. Attendance at Board and committee meetings is very good and the commitment of the Trustee Directors (all of whom are unpaid and have other demanding roles) has been notable, particularly during the intensive work on formulating the forward strategy and contributing to the post 2022 legacy. Trustees have also spent time to understand the difference that Power to Change is making in communities and to the sustainability of the community business model through their Seeing is Believing visits to community businesses that have accessed funds and support services through the Trust.

A new permanent Director of Finance and Operations was appointed in February 2019 but left the organisation six months later. This resulted in the previous interim Director of Finance and Operations remaining in post as another search process was undertaken. A permanent replacement took up post in March 2020 with a period of handover now in train. Despite these unexpected changes, there have been no adverse consequences in the stewardship of the Trust's finances and the Trust was fortunate to re-engage the previous interim postholder who ensured a seamless transition in reporting, financial and budget management, forecasting and line management of the finance team.

Vidhya Alakeson, the Chief Executive of Power to Change, continues to lead a hard-working and competent Leadership team. It has been a very busy year for the team finalising the new strategy and significantly increasing the operational activity of the Trust in relation to grants awarded to community businesses, research and intelligence gathering and securing additional Government funding. The Leadership Team provide expert support to the Board, committees and panels and the timely circulation of clear and concise papers has enabled fully informed discussion and a robust decision-making process.

Protector consent requests

Protector consent has been requested and granted for three changes during this period. Firstly, I gave consent to update the Delegated Authority of the Executive Grants Committee so that it can approve delegated grant-decision making to third parties, and so that it can approve onward granting of Trust funds, within proportionate limits. I considered the current risk and fraud controls and mitigations that are applied to onward grant making and was assured that enhancements to these controls would be considered as part of the update to the Grants Policy Framework and operating guidelines.

Secondly, 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. Within this Manual of Regulations, the Grants Policy Framework brings together all relevant legal, governance and policy-related matters under which all Power to Change grant making activities are carried out, in line with the Power to Change Trust Deed. The Trust identified the need to review and update the framework in order to reflect learning from over three years of grant making and to make the document fit for purpose for future grant making.

The Board established a Board Sub Group to oversee both the process and re-drafting of the Framework and the advice on the changes made by the Trust lawyers, Wrigleys Solicitors LLP, was shared with me. I was consulted on the revisions to the framework at various points during the drafting process, and was assured by the scrutiny and oversight by Trustee Directors that the Trust has been diligent in ensuring revisions complied with its obligations under the Trust Deed.

Lastly, I gave consent to award a Community Business Fund grant to Onion Collective CIC, which required Protector approval, given that one of the Power to Change Trustee Board members is a Director of Onion Collective CIC. I was assured that the conditions required in the Trustee Conflict of Interest Policy and the terms relating to the same in the Trust Deed had been met.

Governance

The Trust has a comprehensive and effective committee structure and I attended most of their meetings during the year. In compliance with the Trust Deed and reflecting the wishes of the Fund, I have particularly noted the following:

a. The Finance and Investment Committee advice on converting all investments to cash in order that the Trust can fully commit funds by the end of 2022 and ensuring appropriate fiduciary stewardship of the endowment through the spread of financial risk across institutions. The committee has also been active in monitoring the Community Owned Renewable Energy LLP (CORE) programme to ensure the optimum outcome for the investment return to the Trust while balancing the risk and impact that being a market maker presents in a new and innovative community sector and one where outcomes may only be achievable in the longer term.

b. The Board agreed to broaden the terms of reference of the Grants Committee (now Impact Committee) at the beginning of the year to incorporate impact measurement of the four workstreams of the Trust namely funding programmes, the Research Institute, market development and communications and partnerships. The committee has been thorough in its assurance of the control framework around grant making; monitored and closely scrutinized any suspected cases of fraud; challenged and suggested improvements in the impact evidence base; and maintained close engagement with the Community Business Panel to assure itself that the Trust continues to meet the support needs of community businesses.

c. The Post 2022 Committee and the People and Governance Committee has carefully considered how the Trust could ensure sustainability of impact in the community business sector by seeking further funding post 2022 when the endowed fund would be fully spent down. The Board developed a compelling case for future funding while preparing in parallel for an orderly wind down of the Trust, seeking legal advice as appropriate to ensure adherence with the terms of the Trust Deed.

The presentation of financial information to the committees and Board is comprehensive and enables Trustees to fulfil their financial oversight role effectively. Trustees have due regard to risk appetite particularly given the sometimes novel and untested ventures that community businesses establish to support their communities. The Leadership Team maintain and monitor a comprehensive risk register in consultation with, and under the scrutiny of, the Audit and Risk Committee and the Board. Trustees also set and monitor closely the overhead costs of the organisation thereby ensuring that most of the endowed fund is deployed directly to support the aims established in the Trust Deed and set out in the Trust strategy.

There continues to be a strong focus on the ability of Power to Change to achieve its strategic goals and to realise the potential of community businesses to deliver positive outcomes for people in their communities, particularly those living in disadvantaged areas. The Trust's reputation for effective grant making and as a source of evidence and research of the contribution that community businesses make in their localities is recognised by the increasing involvement of Power to Change in discussions with senior policy makers on the future support programmes for community-based schemes and in the grants awarded to the Trust by the Ministry of Housing, Communities and Local Government to enhance the More than a Pub programme.

The Board and committees have undertaken reviews of their own effectiveness during the year through self-assessment. 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 operations. The Board was receptive to the comments and recommendations I have made over the year and the Leadership Team has responded positively and promptly to any queries or requests for further clarification. The Board effectiveness review indicates a good relationship between the Trustee Directors and the Leadership Team and an appetite for the Trustees to contribute outside of meetings where they can add professional expertise while respecting the boundaries of responsibilities between the Board and Leadership Team.

Looking ahead

The Chair's foreword in this annual report sets out the challenges to the community business sector caused by the Covid-19 crisis at a time when the needs of local people for community support has risen exponentially. The Trust has responded with measures to both support those businesses losing trading income as well as setting aside funds to support them through recovery to a new normal. This response has been proportionate, has been framed within the strategic aims of the Trust and been subject to the required level of due diligence, risk assessment and scrutiny while recognising that decisions cannot be fettered by undue bureaucracy and delay. I am assured that the £12,100k set aside from the endowed fund will continue to be used to further the sustainability of the community business sector.

The Board is aware of the risks of deploying and managing these emergency funds while delivering as much business as usual as possible. The changing circumstances will also inevitably lead to a re-examination by the Trust of its strategy for securing continued funding post 2022 and the forward Business Plan for the spend down of the endowment.

The Board has adapted very well to a new way of working and at all times has kept the safety and well-being of staff at the forefront of their minds. The Covid-19 crisis had led to a groundswell of support for community-led enterprises and their value is increasingly recognised by local people at the very time when the financial sustainability of these businesses is precarious. My concern as the Protector in these very uncertain times is that the Trust has sufficient time remaining and resources to expend to meet the demand it is facing, while achieving the legacy the Fund, Trustees and staff envisaged.

Susan Johnson OBE
Protector, Power to Change Trust
June 2020

Independent auditor's report

to the corporate Trustee of Power to Change Trust

Opinion

We have audited the financial statements of Power to Change for the year ended 31 December 2019 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 2019 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.

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.

Independent auditor's report (continued)

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 27, 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 U.K. LLP

Crowe U.K. LLP
Statutory Auditor

London

13 August 2020

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 2019

	Notes	Endowment funds £'000	Restricted funds £'000	2019 Total funds £'000	2018 (restated) Total funds £'000
Income and endowments					
Funding	2	–	650	650	110
Investment income	2	948	–	948	1,089
Total income		**948**	**650**	**1,598**	**1,199**
Expenditure on:					
Raising funds		68	–	68	120
Charitable activities:					
Grants awarded	6	21,384	–	21,384	15,754
Grantee support		3,565	–	3,565	2,567
Market development		1,498	–	1,498	1,173
Research		2,061	94	2,155	2,389
Share of joint venture loss		282	–	282	187
Total expenditure	**3**	**28,858**	**94**	**28,952**	**22,190**
Net operating expenditure		**(27,910)**	**556**	**(27,354)**	**(20,991)**
Net gains/(losses) on investments		873	–	873	(891)
Net expenditure		**(27,037)**	**556**	**(26,481)**	**(21,882)**
Reconciliation of funds					
Total funds brought forward		91,689	94	91,783	113,665
Total funds carried forward	**13**	**64,652**	**650**	**65,302**	**91,783**

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 39 to 61 form part of these financial statements.

Consolidated and charity balance sheets

as at 31 December 2019

Charity No 1159982

	Notes	2019 Group £'000	2019 Charity £'000	2018 (restated) Group £'000	2018 (restated) Charity £'000
Fixed assets					
Intangible assets	7	–	–	9	9
Tangible assets	8	53	53	38	38
Investments	9	52,413	52,993	77,905	78,203
		52,466	**53,046**	**77,952**	**78,250**
Current assets					
Cash at bank and in hand		6,595	6,595	1,170	1,170
Current asset investments		20,418	20,418	25,000	25,000
Debtors	10	2,668	2,668	1,570	1,570
		29,681	**29,681**	**27,740**	**27,740**
Current liabilities					
Creditors: amount falling due within one year	11	(15,103)	(15,103)	(13,336)	(13,336)
Net current liabilities		**14,578**	**14,578**	**14,404**	**14,404**
Total assets less current liabilities		**67,044**	**67,624**	**92,356**	**92,654**
Creditors: amount falling due after one year	11	(1,742)	(1,742)	(573)	(573)
Net assets		**65,302**	**65,882**	**91,783**	**92,081**
The funds of the charity					
Endowment funds	13	64,652	65,232	91,689	91,987
Other restricted funds	13	650	650	94	94
Total funds		**65,302**	**65,882**	**91,783**	**92,081**

Approved by the Corporate Trustee. Authorised for issue on 4 June 2020 and signed on behalf of the Trustee Directors:

Stephen Howard
Chair

The accompanying notes on pages 39 to 61 form part of these financial statement

Consolidated cash flow statement

for the year to 31 December 2019

	2019 £'000	2018 (restated) £'000
Cash outflow from operating activities		
Net expenditure	(26,481)	(21,882)
Share of joint venture loss	282	187
Net expenditure before share of joint venture loss	(26,199)	(21,695)
(Gains)/Losses on investment	(923)	891
Investment fees paid from capital	84	178
Depreciation of tangible and intangible fixed assets	39	76
Impairment of intangible asset (Twine)	–	192
Decrease/(increase) in current asset investments	4,582	(25,000)
Decrease/(increase) in debtors	(1,098)	410
Increase in creditors	2,936	2,257
Net cash flow from operating activities	**(20,579)**	**(42,691)**
Cash inflow from investing activities		
Receipts from sale of fixed asset investments	26,471	45,020
Investment income reinvested	(422)	(883)
Payments to acquire tangible and intangible fixed assets	(45)	(19)
Payments to acquire social investment	–	(3,476)
Net cash flow from investing activities	**26,004**	**40,642**
Increase/(decrease) in cash in the period	**5,425**	**(2,049)**

	2019 £'000	2018 (restated) £'000
Analysis of changes in net funds		
Cash balance at the beginning of the period	1,170	3,219
Increase/(decrease) in cash in the period	5,425	(2,049)
Cash balance at 31 December	6,595	1,170
Cash and cash equivalents/Investment		
Cash in hand	595	1,170
Notice deposits	6,000	–
Total cash and cash equivalents/Investment	**6,595**	**1,170**

Notes to the accounts

for the year to 31 December 2019

1. Accounting policies

Introduction

The Trustee Directors are pleased to present the consolidated financial statements for the Group and for Power to Change Trust ('the Charity'). The consolidated Group 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. Note 9 on page 52 lists all group companies and joint ventures.

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 and 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 ongoing 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, including revised forecasts reflecting the impact of Covid-19 as described in the Trustee's Director's annual report (page 25) and are not aware of any material uncertainties that 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.

Notes to the accounts for the year to 31 December 2019 (continued)

1. Accounting policies (continued)

Restatement of comparative figures

Accounting policies are applied on a consistent basis. The presentation of the split of cash deposits at 31 December 2018 between fixed asset investments and current asset investments has been restated as the Trustee Directors believe the revised classification better reflects the accounting policy and is consistent with the application of the policy in the 31 December 2019 financial statements.

The method of allocating expenditure against charitable activity has been reviewed by the Trustee Directors and they adopted an alternate method in 2019, which they believe better explains the Charity's activity in the year. The 2018 comparative figures have been restated using this revised expenditure allocation.

Neither of the above changes in presentation impact the reported net expenditure in 2018 or the total funds carried forward at the end of the financial year.

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 must 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.

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 Ministry of Housing, Communities and Local Government (MHCLG) were spent on the More than a Pub programme and the Innovation and Infrastructure Fund.

Endowment funds represent capital gifted in 2015 by The National Lottery Community Fund (formally the Big Lottery Fund) and in 2018 and 2019 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.

Notes to the accounts for the year to 31 December 2019 (continued)

1. Accounting policies (continued)

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.

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.

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 on 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 allocated based on the time spent on governance activities.

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 and are recognised in the Statement of Financial Activities in the period to which they relate. The Charity has no liability under the scheme other than the payment of the contributions.

Notes to the accounts for the year to 31 December 2019 (continued)

1. Accounting policies (continued)

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. At 31 December 2019 all intangible assets were fully amortised. Amortisation was provided to write off assets on a straight-line basis over their estimated useful economic life of three years.

At the end of December 2019, all intangible assets had been fully amortised. In 2018 costs relating to the development of the Twine application were reviewed by the Trustee Directors who concluded that they represented no future economic benefit to the Trust. Therefore, these costs were written off in full in 2018 and all expenditure relating to Twine has been treated as expenditure in 2019.

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

Tangible fixed assets

All assets costing more than £1,000 are capitalised and are carried at cost. The only tangible asset recognised in the balance sheet during the period under review is IT equipment. Depreciation is provided to write off assets on a straight-line basis over their estimated useful economic life of three years. The depreciation charge begins in the month of purchase and is included in charitable activities expenditure.

Fixed and current asset investments

Fixed asset investments at the end of 2019 are cash deposits held in interest-bearing accounts. Previously fixed asset investments have also included bond, equity and fund investments.

Cash deposits are only considered fixed asset investments where the Trustee Directors are of the opinion that the deposits will not be expended within 12 months of the balance sheet date. Deposits that they consider are likely to be expended within 12 months are treated as current asset investments. As noted above, the split of cash deposits at 31 December 2018 between fixed asset investments has been restated as the Trustee Directors believe the revised classification better reflects the accounting policy and is consistent with the application of the policy in the 31 December 2019 financial statements.

Fixed asset investments are reported at their fair values, being their market value, at the balance sheet date. For cash assets, market value is equivalent to amortised costs and therefore cash assets have been recognised on that basis. 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.

Notes to the accounts for the year to 31 December 2019 (continued)

1. Accounting policies (continued)

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, current asset investments, cash held as fixed asset investments, and trade and other debtors. Financial liabilities held at amortised cost comprise of trade and other creditors.

Instruments other than cash, 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 only operating leases that have been entered into are for low value office equipment and are 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 2019 (continued)

2. Investment income and other funding

	2019 £'000	2018 £'000
Funding – grants received	**650**	**110**
Investment income		
Fixed interest from bonds	53	183
Dividends from equities	40	5
Income from multi-asset funds	97	190
Income from property funds	–	29
Income from investment cash – Cazenove	231	266
Income from investment cash – deposits	423	357
Other income	35	36
Bank interest on current accounts	69	23
Total investment income	**948**	**1,089**
Total income	**1,598**	**1,199**

In 2019, grants totalling £650k (2018: £110k) from the Ministry of Housing, Communities and Local Government (MHCLG) were recognised as income in the financial statements. The funds recognised in 2019 are restricted to support the More than a Pub programme across early 2020.

The funds received from MHCLG in 2018 were restricted to support the Innovation and Infrastructure Fund and fund research.

Notes to the accounts for the year to 31 December 2019 (continued)

3. Expenditure allocation

	Grants awarded £'000	Grantee support £'000	Market develop-ment £'000	Research £'000	Raising funds £'000	2019 Total £'000	2018 (restated) Total £'000
Direct costs							
Direct grants awarded	16,554	–	–	–	–	**16,554**	**12,370**
Capacity building	2,442	718	–	–	–	**3,160**	**1,357**
Programme delivery	765	1,779	–	–	–	**2,544**	**1,676**
Programme and sector development	–	165	–	–	–	**165**	**398**
Research and policy	364	–	–	1,582	–	**1,946**	**2,189**
Communications programmes	2	–	682	–	–	**684**	**690**
Investment management fees	–	–	–	–	68	**68**	**120**
Direct staff costs (inc. contractors)	809	558	474	363	–	**2,204**	**1,956**
Legal costs	6	4	4	3	–	**17**	**20**
Depreciation	–	30	–	–	–	**30**	**60**
Total direct costs	**20,942**	**3,254**	**1,160**	**1,948**	**68**	**27,372**	**20,836**
Support costs							
Governance costs	99	70	76	47	–	**292**	**270**
Support staff costs (inc. contractors)	156	104	113	69	–	**442**	**385**
IT and consultancy	37	26	28	17	–	**108**	**91**
Rent and office costs	147	109	119	72	–	**447**	**405**
Depreciation	3	2	2	2	–	**9**	**16**
Total support costs	442	311	338	207	–	**1,298**	**1,167**
Total expenditure (Charity)	**21,384**	**3,565**	**1,498**	**2,155**	**68**	**28,670**	**22,003**
Share of joint venture losses						**282**	**187**
Total expenditure (Group)						**28,952**	**22,190**

As explained in the accounting policies on page 39, the method of allocating expenditure against charitable activity has been reviewed by the Trustee Directors and they have adopted an alternate method in 2019 which they believe better explains the Charity's activity in the year. The 2018 comparative figures have been restated using this revised expenditure allocation.

This change in presentation does not affect the reported total expenditure in 2018.

Notes to the accounts for the year to 31 December 2019 (continued)

4. Governance costs

	2019 £'000	2018 £'000
Staff costs (incuding contractors)	223	198
External audit fees	23	21
External audit fees – non-assurance fees	7	5
Internal audit fees	33	25
Protector's and Trustee Directors' fees and expenses	6	5
Protector's recruitment costs	–	16
Total	**292**	**270**

Trustee Directors received no remuneration during the year. In total 10 Trustee Directors received reimbursement for travel and subsistence expenses of £5,491 during the year (2018: 10 Trustee Directors – £4,347).

5. Staff costs and numbers

	2019 £'000	2018 £'000
Wages and salaries	2,035	1,618
Social security costs	215	172
Employer pension contributions	101	84
Other employee benefits	31	22
	2,382	**1,896**
Training	80	64
Contractor costs	319	448
Recruitment costs	88	131
Total staff costs	**2,869**	**2,539**

The operating cost of the pension scheme during the period was £1,200 (2018: £1,200). Included in the wages and salaries costs are termination payments of £16,539 (2018: £21,404).

Notes to the accounts for the year to 31 December 2019 (continued)

5. Staff costs and numbers (continued)

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

	2019	2018
Charitable expenditure	34	26
Support and governance	5	5
	39	**31**

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

	2019	2018
£60,000 – £69,999	6	3
£70,000 – £79,999	–	2
£80,000 – £89,999	2	2
£90,000 – £99,999	1	1
£100,000 – £109,999	1	1

Total key management personnel costs for the year (staff and contractors) were £584k (2018: £596k). Details of key management personnel are set out on page 21.

Notes to the accounts for the year to 31 December 2019 (continued)

6. Grants awarded

	2019 £'000	2018 (restated) £'000
Community Business Fund	7,467	5,044
Empowering Places	2,594	856
Blended Finance	1,036	465
Grant to SASC Housing Fund (see below)	1,000	–
Homes in Community Hands	961	1,133
Community Business Trade Up	710	972
Community Business Bright Ideas	698	333
Community Shares Booster	621	504
Next Generation Community Energy	437	150
Health and Social Care	278	120
Cities and Counties	216	15
M&S Partnership	132	70
More than a Pub	105	1,653
CORE Energy Programme	100	–
Infrastructure	95	484
Sandbox	55	271
Contingency Fund	35	–
Community Business Panel (seed grants)	14	11
Innovation and Infrastructure Fund	–	125
Initial Grants Programme	–	119
Community Assets	–	45
	16,554	**12,370**

Notes to the accounts for the year to 31 December 2019 (continued)

6. Grants awarded (continued)

	2019 £'000	2018 (restated) £'000
Other grants		
Grants to delivery partners for delivery costs and capacity building	3,207	1,704
Research and policy	364	312
Communications programmes	2	245
External grants awarded	**20,127**	**14,631**
Direct staff costs	809	718
Other costs	6	7
External grants and direct costs	**20,942**	**15,356**
Support costs	442	398
Total expenditure	**21,384**	**15,754**

External grants awarded in 2019 are net of £797k of grants withdrawn (2018: £814k).

The value of grants withdrawn represent those grants that have been withdrawn completely or have been subject to a variation.

Major grant programmes are explained on page 6. We publish a list of grants on our website: https://www.powertochange.org.uk/research/power-change-grants-2015-2020. This list excludes certain grants to our delivery partners for delivery costs and similar support.

Typically, the Charity makes grant awards of up to £350k. Only one award was made in 2019 above this value (2018: £nil). In 2019 we made a £1,000k (2018: £nil) grant to the Social and Sustainable Capital (SASC) Housing Fund. The fund will address a major social issue by increasing the stock of quality homes that will be available to communities for the long term.

As explained in the accounting policies on page 39, the method of allocating expenditure against charitable activity has been reviewed by the Trustee Directors and they have adopted an alternate method in 2019 which they believe better explains the Charity's activity in the year. The 2018 comparative figures have been restated using this revised expenditure allocation.

This change in presentation does not affect the reported total expenditure in 2018.

Notes to the accounts for the year to 31 December 2019 (continued)

6. Grants awarded (continued)

	2019 £'000	2018 (restated) £'000
Grants payable		
Balance brought forward	13,142	11,024
External grants awarded	20,127	14,631
Amounts defrayed	(17,165)	(12,513)
Balance carried forward	**16,104**	**13,142**

7. Intangible fixed assets (Group and Charity)

	Software £'000	Website £'000	Twine Application £'000	2019 Total £'000	2018 Total £'000
Cost					
Brought forward	87	83	281	451	451
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
Carried forward	**87**	**83**	**281**	**451**	**451**
Amortisation					
Brought forward	81	80	281	442	201
Charges for the year	6	3	–	9	49
Disposals	–	–	–	–	–
Impairment	–	–	–	–	192
Carried forward	**87**	**83**	**281**	**451**	**442**
Net book value					
Brought forward	6	3	–	9	250
Carried forward	**–**	**–**	**–**	**–**	**9**

Notes to the accounts for the year to 31 December 2019 (continued)

8. Tangible fixed assets (Group and Charity)

	2019 £'000	2018 £'000
Cost		
Brought forward	98	80
Additions	45	19
Disposals	–	(1)
Carried forward	**143**	**98**
Depreciation		
Brought forward	60	34
Charges for the year	30	27
Disposals	–	(1)
Carried forward	**90**	**60**
Net book value		
Brought forward	38	46
Carried forward	**53**	**38**

The above fixed assets represent IT equipment.

Notes to the accounts for the year to 31 December 2019 (continued)

9. Fixed asset investments

	2019		2018 (restated)	
	Group £'000	**Charity £'000**	**Group £'000**	**Charity £'000**
Investment asset allocation				
Cazenove Capital Management				
Fixed asset investments	–	–	2,191	2,191
Multi-asset investments	–	–	27,317	27,317
Cash and deposits	15,460	15,460	20,067	20,067
	15,460	**15,460**	**49,575**	**49,575**
Equity investment				
Community Owned Renewable Energy LLP	–	8,476	–	8,476
Share of joint venture net assets	7,896	–	8,178	–
Bank: Term deposits	29,057	29,057	20,152	20,152
Total investments	**52,413**	**52,993**	**77,905**	**78,203**

As explained in the accounting policies on page 39 the split of cash deposits at 31 December 2018 between fixed asset investments has been restated as the Trustee Directors believe the revised classification better reflects the accounting policy and is consistent with the application of the policy in the 31 December 2019 financial statements.

The social investment in 2019 of £8,476k (2018: £8,476k) relates to Community Owned Renewable Energy LLP (CORE LLP) which is a joint venture with Big Society Capital. At 31 December 2019, Power to Change had a commitment to invest up to a further £1,524k into CORE LLP although the Trustee Directors do not anticipate that any further investment will be made.

In 2019 Power to Change disposed of its 33% holding in White Rock Neighbourhood Ventures for £nil consideration and made £nil profit or loss on disposal.

Notes to the accounts for the year to 31 December 2019 (continued)

9. Fixed asset investments (continued)

Movement in year

	2019		2018 (restated)	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Commercial investments				
Capital invested/(withdrawn) in the year:				
Cazenove Capital Management	(35,376)	(35,376)	(33,160)	(33,160)
Bank term deposits	8,905	8,905	(11,860)	(11,860)
	(26,471)	(26,471)	(45,020)	(45,020)
Income reinvested	422	422	883	883
Management fees paid from capital	(84)	(84)	(178)	(178)
Gains/(losses) on investment values	923	923	(891)	(891)
	(25,210)	**(25,210)**	**(45,206)**	**(45,206)**
Social investments				
Investment in community energy	–	–	3,476	3,476
Movement in share of joint venture net assets	(282)	–	(187)	–
Share of White Rock Neighbourhood Ventures Ltd	–	–	–	–
	(282)	**–**	**3,289**	**3,476**
Decrease in investments	**(25,492)**	**(25,210)**	**(41,917)**	**(41,730)**
Brought forward investments	77,905	78,203	119,822	119,933
Total investments at the end of the year	**52,413**	**52,993**	**77,905**	**78,203**

Notes to the accounts for the year to 31 December 2019 (continued)

9. Fixed asset investments (continued)

Social investments

The Group has invested in the following entities as part of its commitment to community-owned energy businesses:

Investment	Shares held %
PTC Renewable Energy Ltd (10847365, England and Wales)	100
Community Owned Renewable Energy LLP (OC418078) Investment held by PTC Renewable Energy Ltd Joint venture with Big Society Capital	50
CORE Aries Ltd (11081463, England and Wales) 100% subsidiary of CORE LLP	50
CORE Newton Downs Ltd (08559996, England and Wales) 99.99% subsidiary of CORE Aries Ltd	50
CORE Libra Ltd (11653375, England and Wales) 100% subsidiary of CORE LLP	50
CORE Scorpio Ltd (11653373, England and Wales) 100% subsidiary of CORE LLP	50
Sheriffhales Solar CIC (09643746, England and Wales) 50.1% subsidiary of CORE Scorpio Ltd	25
CORE Aquarius Ltd (11653365, England and Wales) 100% subsidiary of CORE LLP	50
Orchard Farm Community Solar 2 CIC (09606654, England and Wales) 100% subsidiary of CORE Aquarius Ltd	50
CORE Gemini Ltd (11653374, England and Wales) 100% subsidiary of CORE LLP	50
Homestead Community Solar CIC (09615191, England and Wales) 50.1% subsidiary of CORE Gemini Ltd Acquired 25 January 2019	25
CORE Capricorn Limited (11739169, England and Wales) 100% subsidiary of CORE LLP	50
NewCo 7GS9 Limited (11344525, England and Wales) 100% subsidiary of CORE Capricorn Ltd	50
Creacombe Solar CIC (11366479, England and Wales) 100% subsidiary of NewCo 7GS9 Ltd	50
Marlands Solar Limited (11575628, England and Wales) 100% subsidiary of NewCo 7GS9 Ltd	50
Creacombe Grid Limited (11595042, England and Wales) 100% jointly owned by Creacombe Solar CIC and Marlands Solar Ltd	50

Notes to the accounts for the year to 31 December 2019 (continued)

9. Fixed asset investments (continued)

Investment	Shares held %
CORE Leo Limited (11739005, England and Wales) 100% subsidiary of CORE LLP	50
CORE Taurus Limited (11739220, England and Wales) 100% subsidiary of CORE LLP	50
Twemlows HoldCo Limited (10490066, England and Wales) 100% subsidiary of CORE Taurus Ltd Acquired, along with the below two subsidiaries, 12 April 2019	50
Community Energy Twemlows C.I.C. (09644669, England and Wales) 100% subsidiary of Twemlows HoldCo Ltd	50
Community Energy Twemlows 2 C.I.C (09644332, England and Wales) 100% subsidiary of Twemlows HoldCo Ltd	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.

PTC Renewable Energy Ltd did not trade during 2019 or 2018. At 31 December 2019 it had net assets of £8,476k (2018: £8,476k) representing its investment in CORE LLP.

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

	2019		2018	
	CORE LLP Group £'000	PTC Group 50% Share £'000	CORE LLP Group £'000	PTC Group 50% Share £'000
Income for the year	3,327	1,664	600	300
Net loss for the year	564	282	374	187
Net assets	15,792	7,896	16,356	8,178

Notes to the accounts for the year to 31 December 2019 (continued)

10. Debtors (Group and Charity)

	2019 £'000	2018 £'000
Prepayments	298	91
Advances to intermediaries	1,457	1,206
Other debtors	913	273
	2,668	**1,570**

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)

	2019 £'000	2018 £'000
Due within one year		
Trade creditors	237	390
Grants payable	14,362	12,569
Accruals	388	282
Other creditors	116	95
	15,103	**13,336**
Due after one year		
Grants payable	1,742	573
	1,742	**573**

Notes to the accounts for the year to 31 December 2019 (continued)

12. Related party transactions

As explained in note 9, the Group has made a social investment in Community Owned Renewable Energy LLP (CORE LLP) which, in turn, has invested in several community energy businesses. In 2019 the Trust made a grant of £100k to Yealm Community Benefit Society which it used to pay for development and planning costs of Creacombe Solar CIC, a business in which the Trust holds an indirect 50% shareholding through its investment in CORE LLP. It is anticipated that Creacombe Solar CIC will ultimately be acquired by Yealm CBS.

For the period ended 31 December 2018 there was no other intercompany trading between any of these entities or any of these CORE Group entities and the Trust.

One of the Trustee Directors is a director at the Onion Collective CIC. During the year Power to Change paid Onion Collective £71k (2018: £65k) 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 direct conflict of interest. In addition, because the grant involved a Trustee Director, the grant required the consent of the Protector. This consent was given.

13. Group funds

	2019			2018 (restated)		
	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
Tangible assets	53	–	53	38	–	38
Investments	44,517	–	44,517	69,727	–	69,727
Share of joint venture net assets	7,896	–	7,896	8,178	–	8,178
Current assets	29,031	650	29,681	27,646	94	27,740
Current liabilities	(15,103)	–	(15,103)	(13,336)	–	(13,336)
Liabilites falling due after one year	(1,742)	–	(1,742)	(573)	–	(573)
	64,652	**650**	**65,302**	**91,689**	**94**	**91,783**

The National Lottery Community Fund (formerly 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.

As noted in the accounting policies on page 39 the comparative figures have been restated to reclassify some bank deposits previous treated as fixed asset investments as current asset investments.

Notes to the accounts for the year to 31 December 2019 (continued)

13. Group funds (continued)

Movement in group funds

Movement in 2019

	Balance b/f £'000	Income £'000	Expenditure £'000	Investment gains £'000	Transfers £'000	Balance c/f £'000
Expendable endowment						
The National Lottery Community Fund						
"Capital Fund"	91,689	–	(68)	873	(27,842)	64,652
"Income Fund"	–	948	(28,790)	–	27,842	–
Total endowment funds	**91,689**	**948**	**(28,858)**	**873**	**–**	**64,652**
Restricted funds						
MHCLG grants						
2016 – More than a Pub	74	–	(74)	–	–	–
2018 – Infrastructure and research	20	–	(20)	–	–	–
2019 – More than a Pub	–	650	–	–	–	650
Total restricted funds	**94**	**650**	**(94)**	**–**	**–**	**650**
Total funds	**91,783**	**1,598**	**(28,952)**	**873**	**–**	**65,302**

Notes to the accounts for the year to 31 December 2019 (continued)

13. Group funds (continued)

Movement in group funds (continued)

Movement in 2018

	Balance b/f £'000	Income £'000	Expenditure £'000	Investment losses £'000	Transfers £'000	Balance c/f £'000
Expendable endowment						
The National Lottery Community Fund						
"Capital Fund"	112,435	–	(120)	(891)	(19,735)	91,689
"Income Fund"	–	1,089	(20,824)	–	19,735	–
Total endowment funds	**112,435**	**1,089**	**(20,944)**	**(891)**	**–**	**91,689**
MHCLG grants						
2016 – More than a Pub	1,230	–	(1,156)	–	–	74
2018 – Infrastructure and research	–	110	(90)	–	–	20
Total restricted funds	**1,230**	**110**	**(1,246)**	**–**	**–**	**94**
Total funds	**113,665**	**1,199**	**(22,190)**	**(891)**	**–**	**91,783**

During the year money from the Capital Fund was transferred to the Income Fund to meet the Charity's ongoing expenditure requirements.

The Trust has received several grants from the Ministry of Housing, Communities and Local Government. In 2016 it received £1,850k to support the More than a Pub programme. This has now been fully expended. In 2018 it received £110k to support infrastructure and research projects; £90k was spent in 2018 and the remaining £20k in 2019. In 2019 the Charity received £650k to support the extension of the More than a Pub programme. This grant is shown as a restricted fund and will be fully committed in early 2020.

Notes to the accounts for the year to 31 December 2019 (continued)

14. Operating leases

The Charity expenses all rentals under operating leases. During both 2019 and 2018 these costs were for specific low value items and are therefore not disclosed as not deemed material.

15. 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 £149,204,000 from The National Lottery Community Fund.

16. Capital commitments

There were no capital commitments contracted for, but not provided in the financial statements, at December 2019 (2018: £nil).

17. Post balance sheet events

In March 2020, the World Health Organisation declared Covid-19 a pandemic. Whilst the pandemic and government's response has not materially affected the Charity's asset values at year end, it has impacted on the focus of the Charity's work and led to a number of new initiatives post year end as detailed on page 25 in the Trustees report.

Notes to the accounts for the year to 31 December 2019 (continued)

18. Consolidated statement of financial activities for the year ended 31 December 2018 (as restated)

	Notes	Endowment funds £'000	Restricted funds £'000	2018 Total funds £'000
Income and endowments				
Funding		–	110	110
Investment income	2	1,089	–	1,089
Total		**1,089**	**110**	**1,199**
Expenditure on:				
Raising funds		120	–	120
Charitable activities:				
Grants awarded	6	14,904	850	15,754
Grantee support		2,321	246	2,567
Market development		1,173	–	1,173
Research		2,239	150	2,389
Share of joint venture loss		187	–	187
Total expenditure	**3**	**20,944**	**1,246**	**22,190**
Net operating expenditure		**(19,855)**	**(1,136)**	**(20,991)**
Net losses on investments		(891)	–	(891)
Net expenditure		**(20,746)**	**(1,136)**	**(21,882)**
Reconciliation of funds				
Total funds brought forward		112,435	1,230	113,665
Total funds carried forward	**13**	**91,689**	**94**	**91,783**

As explained in the accounting policies on page 39, the method of allocating expenditure against charitable activity has been reviewed by the Trustee Directors and they have adopted an alternate method in 2019 which they believe better explains the Charity's activity in the year. The 2018 comparative figures have been restated using this revised expenditure allocation.

This change in presentation does not affect the reported total expenditure in 2018.

Reference details and details of advisors

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London SE1 6FE

Charity Commission number

1159982

Trustee

Power to Change Trustee Limited
Company number 8940987 –
England and Wales

The Directors of the Trustee company are:

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Carla Stent
Leonie Austin
Samuel Berwick
Choong Fai Chan
David Godden
Ian Hempseed
Dai Powell
Jessica Prendergrast
Christopher Stephens

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