

Fair economy. Better world.

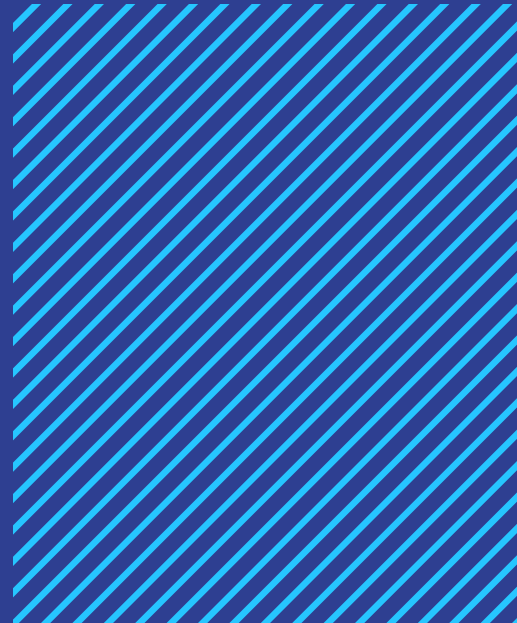


Annual Report

2016-17

A year in review

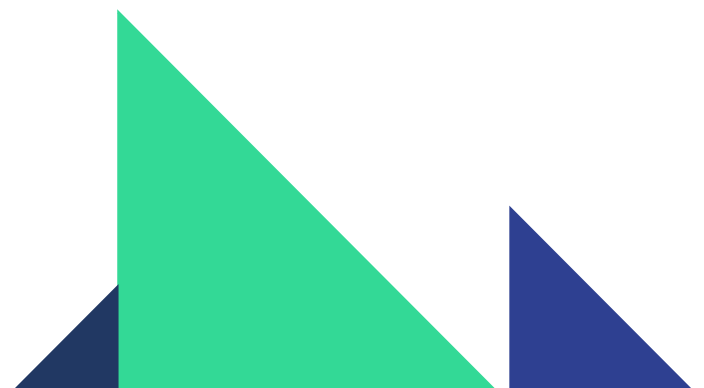






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Hetan Shah, Chair of the Board of Trustees

Chair's introduction

Our concerns relating to the economy are centre stage in the UK public debate. Politics has been dominated by discussions of Brexit, inequality, wage growth, automation and industrial strategy.

The Friends Provident Foundation has seeded many of the projects that are providing alternative ideas about how we can create a fairer economy. One highlight was the media coverage picked up by the interim report of the IPPR Commission on Economic Justice, which showed the need for a new economic model.

Energy was a big theme for the year. Projects supported include piloting more democratic local energy models in the South West, helping the creation of a new sustainable energy plan for Wales and bringing together a number of energy sector leaders to think about how we can create a more sustainable energy system in the UK. We also gave a grant to Platform London to support energy-efficient retrofitting and fairer social tariffs to energy companies in London; and we organised a 'Seeing is Believing' tour of community energy projects, which energised social investors and grant makers about what is possible.

We have started using our investment power to push for social and environmental change. Our £33 million endowment means we can talk to companies as an investor, not just as a civil society body. We are hoping other, perhaps bigger, foundations might also start to think in this way. And our grant investments support this way of working – from sowing new ideas through the Finance Innovation Lab, creating improved investor metrics through the Future Fit Business Benchmark and supporting ShareAction to increase innovation in social pension products and to make pension funds take environmental social factors into account when making investments.

As a foundation we are in a position to fund risky ideas that others cannot. We have supported research on creating a social wealth fund, the creation of 'B Corporations' in the UK, and Locality to work with councils to change the way they procure their services. Not everything we back will be successful, but as a civil society body it is incumbent on us to back a range of innovative ideas in the knowledge that if we do not then nobody else will.

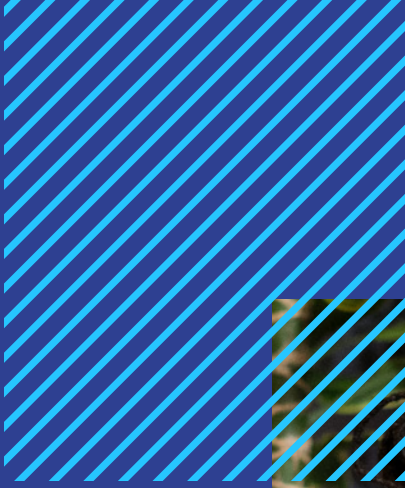
During 2017 the Foundation also reviewed its branding, and by the time we launch this annual review we have a refreshed identity in place that helps us communicate what we stand for. At a more strategic level, we asked Michael Jacobs and Laurie Laybourn-Langton to map the movement for economic change in the UK. This assessment feeds into our own thinking about where to fund in the future, and we hope it will also help others to see where the gaps are.

The Foundation has been through a lot of change in the last two years so that we are fit to deliver our new strategy. I'm very grateful to my fellow Trustees for their wisdom in guiding the organisation, and in particular to the staff for their work.



Hetan Shah

Chair of the Board of Trustees
13 March 2018



Danielle Walker Palmour, Foundation Director



Foundation Director's review

The urgent versus the important – a dilemma faced by everyone with executive responsibilities in any field, and charities are no different.

There are so many urgent issues clamouring for our attention today – climate change; political unrest at home and abroad; people in motion from places of conflict to safety; the reality and fear of terrorism; changes in the nature of work; opportunities of artificial intelligence and technology; the increasing inability of democratic governments to respond quickly or effectively – the list seems endless.

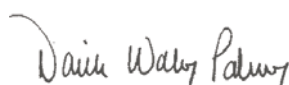
At the same time, as a charity, we are aware of our responsibilities to think about what this means for society as a whole and the differential effects on particular communities. As a foundation with a long-term perspective, we know that sustainable change takes time and requires attention and commitment. However, the urgent is driving the agenda – there is a palpable need to provide answers and solutions now to these myriad issues to avoid the risk being perceived as out of touch, esoteric or irrelevant.

Despite substantial change in our own organisation and the context around us, we have maintained our focus on what we think is important – building resilient economic systems and supporting communities to find sustainable, long-term solutions to structural economic challenges. Notable examples include the affordable transition to a democratised, low-carbon future, the sustainable provision of social care and truly inclusive growth. As our programme has continued to develop, we can see more clearly that a change in the economic system is required to address some of the urgent problems on our doorstep – until we have an economic system that values our environment and stops incentivising the use of fossil fuels, we will struggle to address climate change; until we have effective systems of disclosure and transparency, we will continue to have widening pay disparities and inequality;

until we are able to monitor economic growth more effectively, we will continue to value the production of widgets over mental health.

As an organisation, we have not been untouched by substantial change this year – we said goodbye to Andrew Thompson, our Grants Manager of nine years, and Sue Scott, our Administrator of three years – we wish them all the best as they move on to take up new opportunities. We were delighted that Abigail Gibson, previously Grants and Social Investment Officer, was promoted to the Grants Manager role; with Joanne Hall joining us as Grants Officer in June. Caroline Watson joined us in July to take on the re-cast role of the Foundation's Office Manager. Through the entire life of the Foundation, we have been blessed with excellent people at all levels; we are delighted that new appointments at the Trustee board and staff levels continue the tradition.

We have also seen the development of key elements of our strategy – communications and convening and “sweating our assets” through investment engagement. These have resulted in more events, more social investment activity and new focused activity on pay ratios and community energy. Our plans for next year include commissioning an evaluation of our programme to date, in anticipation of formulating a new strategy from 2018, as well as developing our systems and new strands of work, including research. We remain grateful to our partners and those we support for keeping us grounded in what is real and focused on what is important.



Danielle Walker Palmour

Foundation Director

13 March 2018



A review of the year

We know that the economy lies at the heart of today's biggest issues. Our current economic system produces inequality and environmental degradation, and undermines good business and behaviours.

And the problems we face continue to be urgent - the huge changes to the nature of work, major regional economic imbalances and long-term environmental issues such as climate change. All have the potential to impact on the economy. We strongly believe it shouldn't have to be that way.

This year, we spent some time re-defining the Foundation's vision and brand identity, to ensure that these capture the work we do and the values we stand for and to communicate more effectively with our audiences. Our aim is to use our grants and endowment to build a fair, resilient and sustainable economic system that serves people and planet. We strive to connect, fund, invest and share learning to shape an economy that works for all.

Through our focus on Resilient Economies and Right Use of Money we have supported systems change grounded in the lived experience, both of which we believe are needed for a fair economy and a better world. We have worked to achieve our vision in three ways, by:

- Giving grants and making direct investments.
- Actively using our mainstream investment portfolio to pursue our change goals by being an active and engaged investor. We also ensure the way we work is consistent with these.
- Bringing people together to solve problems, creating opportunities to collaborate, seeking to influence those with power to bring about change, and communicating what we have learned

Our grant giving



In 2016-17, the Foundation received 118 outline applications from 116 different organisations, seeking over £11.47 million in total. This represents a significant increase in value of just under £3.5 million from last year and in applications (87 last year).

As part of our responsive grants and social investment programme we are developing a more strategic approach to core funding under our main grants programme. The aim of providing core funding is to empower organisations working in our area of interest to work flexibly and provide them with the capacity to respond effectively to changes in the external environment.

We have worked closely with our solicitors Wrigley's LLP to ensure we have appropriate terms and conditions for any non-charities that we might decide to support.

Trustees made a total of 24 new grant commitments against the Right Use of Money and Building Resilient Economies themes (including Investment Engagement grants), with new financial commitments amounting to just under £2 million, excluding any adjustments to existing grants. This represents an increase of 15% on last year's giving, following an increase of 30% in the previous year.

What we set out to achieve this year

Trustees set the Foundation these objectives for 2016-17:

Grants and social investments

To build an effective grants team, with shared standards and approaches of the highest order.

Fully achieved. Abigail Gibson assumed the role of Grants Manager in March 2017, with Jo Hall joining us as Grants Officer in June. They have proven to be an excellent team.

Using our endowment as a tool for change

To establish an investment engagement strategy for our three key themes.

Fully achieved. Three areas of work have been established: community energy and utilities; fair pay; and asset manager responsible investment standards and transparency.

Convening, collaborating, influencing and communicating

To establish an effective communications strategy and implement it in support of the key themes in Objective 2.

Fully achieved. Initial communications strategy reviewed by Trustees; re-branding largely completed by year end.

A strong and cohesive team

To build a robust operational staff team and effective Trustee body.

Fully achieved. The staff team was fully established by year end, supported by Caroline Watson as Office Manager, and operating well. The Trustee body continues to guide, challenge and support the mission of the Foundation.

Continuous improvement

To consolidate and further improve our administrative, grant-making and investment systems.

Fully achieved. New systems were developed and tested over the course of the year.

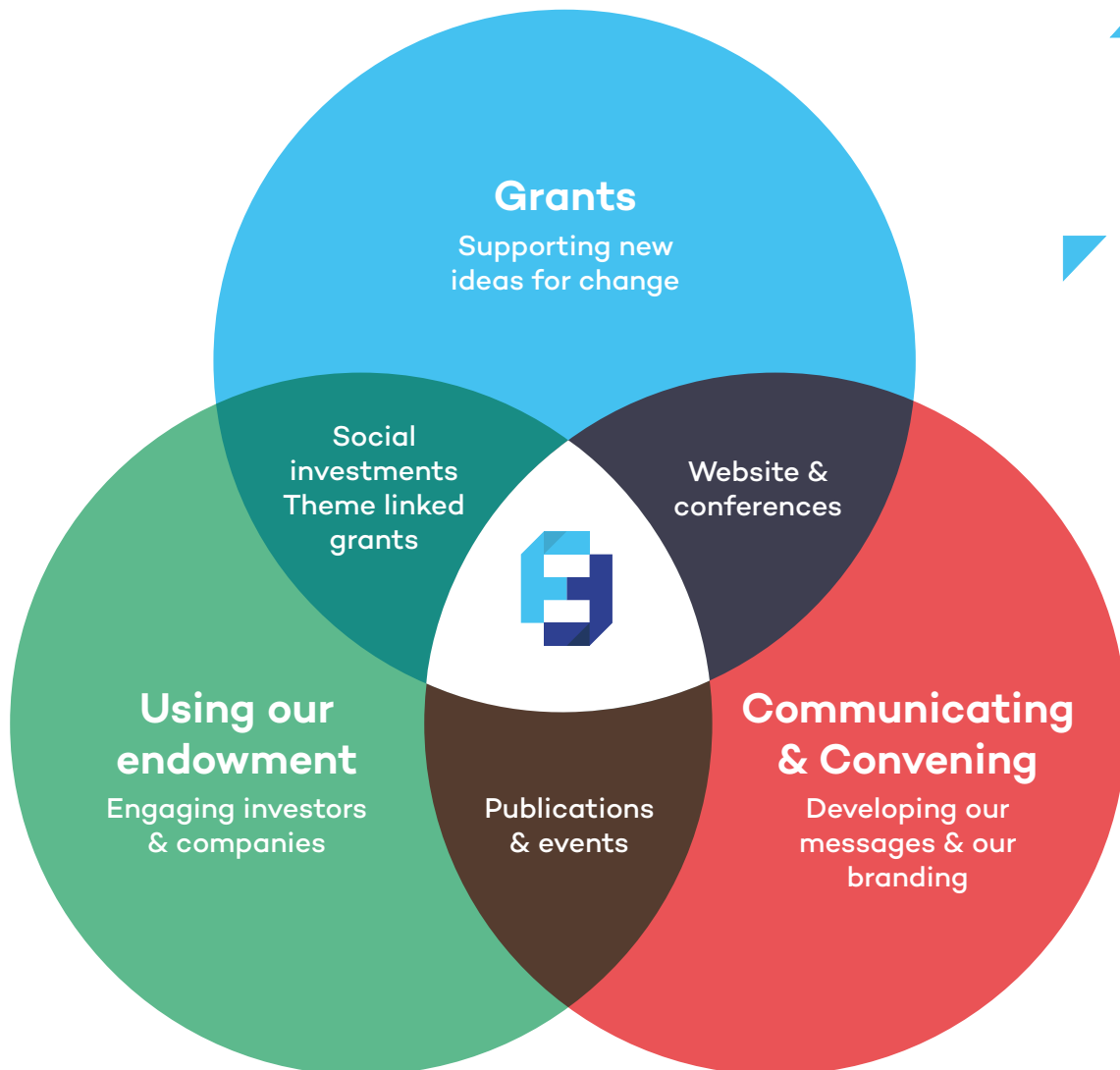
Learning

Effective governance and organisational development. To establish a programme of staff and Trustee learning events for 2016-17.

Fully achieved. A programme of staff and Trustee learning continued throughout the year.

Our strategy in action

The Foundation is working towards a fair, resilient and sustainable economic system that serves people and planet through the operating model set out here.



Our giving and investment programmes



Building Resilient Economies

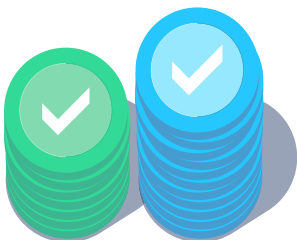
The focus of this programme of grants and investment is to build a more resilient economic system – one that distributes social and economic goods and services more fairly, and better balances short-term and long-term needs.

We're working on two levels:

Firstly, systems change, such as disruptive innovation, that will actually change the current financial system. We're keen to explore and inform changes and innovation in regulation, policy and ways of working, too, all of which we believe can contribute to a more resilient economic system.

And secondly, building local economic resilience. Our work at the local level focuses on testing and reviewing local or small-scale initiatives that build economic resilience through diversity, flexibility and increasing capabilities in communities. We'd like to see the development of local economic resilience, so we seek to support projects that share learning about effective ways for communities to create more sustainable economic systems and retain more of the value generated.

We also build partnerships with other organisations that are funding work at the local level, to learn from and share learning between local initiatives. We disseminate our findings widely through meetings and seminars with policy makers and practitioners and through our website and publications.



The Right Use of Money

How can financial systems create and sustain social harmony, and at the same time deliver economic goods and services? This question forms the basis of the Foundation's work and reflects ground-breaking work to develop ethical funds carried out by our original donor, Friends Provident, over 30 years ago.

The Foundation continues to explore these issues through its main programme as well as supporting a small number of projects under this heading to explore aspects of the ethics of the financial systems that underpin our society.

What our grants have taught us

“There is need for greater knowledge of how the local public sector and the local social sector can work together ...”

“SMEs are seriously affected by the UK’s geographical and economic imbalance ...”

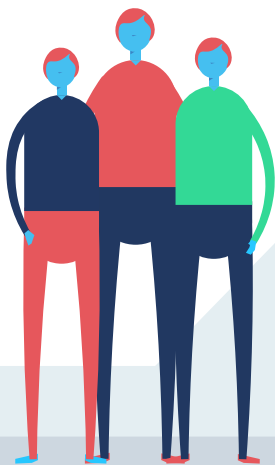
“... few people are interested in thinking directly about the use of money if it is presented to them only in figures ...”

“It is difficult to monetise local sharing economy interventions ...”

“The usefulness of the alternative finance sector in building local resilience is still unproven..”

“Retail social investment is still primarily done by the relatively rich ...”

“The window of opportunity provided by the financial crisis to push for financial reform may have passed ...”

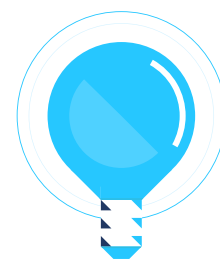


Projects funded this year



Local Economic resilience

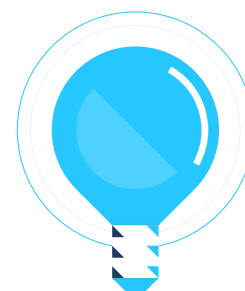
Project	Amount	Description
Centre for Local Economic Strategies (CLES) Party conference events on local economic resilience	£6,000	A partnership with Barrow Cadbury Trust, to fund CLES to organise events at the 2017 Labour, Liberal Democrat and Conservative Party conferences, in order to raise national and local party activists' awareness of the challenges and successes that communities have faced in striving toward economic resilience.
Community Energy Plus Low Carbon Community Heat	£99,500	Funding for a project to develop a new model of enterprise for affordable low carbon heat in rural communities.
Forum for the Future The UK Community Energy Asset Bank	£130,000	Research and development to check the scope and feasibility of a new online resource to match asset owners with community groups seeking a site for their project, with the aim of bringing community energy groups and willing asset owners closer together to take projects forward.
Pure Leapfrog A monitoring and evaluation toolkit for community energy projects	£38,500	Following pilot work, funding for a project to refine and scale a toolkit in order to capture the value that community energy projects create.
Stir To Action Ltd Unlocking the Next Economy: Churches as a social resource	£44,000	A one-year pilot, funded to explore how access to the physical assets of churches can support local economic change.
The 10:10 Foundation Local energy London	£61,000	Funding for a project to build energy resilience for fuel-poor residents of a majority social housing block in Brixton, London.



Systems change

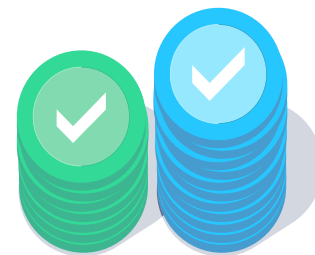
Project	Amount	Description
Compass Ten Year Universal Basic Income Accelerator Plan	£33,000	A project to establish an economic model showing how, over a ten-year period, an entry level UBI could be accelerated to a full or near full scheme.
Demos Brexit briefing: Opportunities and risks to a fairer and sustainable economy	£20,000	A project commissioned to assess the opportunities and risks that Brexit poses to the aims of the Foundation's programme.
Economy Phase two of "Learn" and "What Just Happened?"	£130,000	Funding for further development of this successful website.
Finance Innovation Lab Core funding	£180,000	Grant support for core functions of this organisation.
Institute for Public Policy Research Commission for Economic Justice	£200,000	Support for the communications and dissemination work of the Commission.
Michael Jacobs and Laurie Laybourn-Langton Rethinking capitalism: delivering economic systems change in the 21st century	£6,000	Funding for a brief think-piece on the need for new ideas about how the economy works.





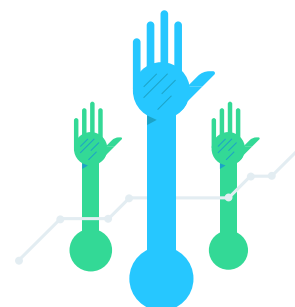
Systems change

Project	Amount	Description
New Ideas Fund Foundation administered fund	£20,000	A small fund to explore and frame issues such as technology, the nature of work, values and ethics and a diverse society as potential new proactive work areas within the resilient economies programme
Resilient Economies Journalist Fellowship	£60,000	To support the creation of a journalist fellowship to build a better understanding of economies in the wider public, contracting a leading journalist to create a significant work of long-form journalism on the theme of building resilient economies.
Positive Money Support for key functions	£250,000	Support for key functions over a five year period.
Public Interest Research Centre Strengthening stories for a new economy	£168,000	A project to further develop the Framing the Economy work undertaken to date, in partnership with a wider network of activists.
Rethinking Economics Post-Crash Economics Society	£190,000	A core grant to support the further development of a sustainable student movement to change the economics curriculum in the UK and internationally.
The Financial Inclusion Centre Understanding Investor Behaviour in the low interest rate, low return environment	£64,600	A project to gain a better understanding of investor behaviour in the new low rate / low return environment; to identify impacts, distortions, and risks caused by policy interventions and investor behaviours and to provide insight into barriers that inhibit financial system change.



The right use of money

Project	Amount	Description
B-Lab UK Core activities	£50,000	Support for the further development of the B-Corporation movement for more socially aware corporate structures in the UK.



Investment Engagement grants

Project	Amount	Description
Influence Map The Big Six and 3D Energy Transition	£19,500	A brief review of the involvement of large utilities firms in the development of energy policy in the UK.
St. Paul's Cathedral Foundation Fair Pay for Fair Work	£20,500	A brief overview of the policy context relating to the effective implementation of executive pay ratios in the UK.
Forum for the Future Wise Minds	£24,480	Convening Wisdom and Insight for Sustainable Energy – 'WISE minds' – in a series of dinners to make sense of the current energy system transition, set out the key questions for its future and enable a broader set of powerful actors to participate in generating answers that work.

Our financial resources and how we use them

Trustees believe that the challenges facing the world and our society in it are formidable. Creating a responsive and resilient economic system that forms part of the solution to these challenges will require all our effort and resources to achieve.

Trustees took the decision that the Foundation will spend its capital as well as its income in pursuit of our mission, meaning that these financial statements reflect a higher level of spending on internal resources and grant-making than in previous years. Our expectation is that this will continue over the next few years.

Using all of our assets for change – the first year of investment engagement

During 2016-17 the Foundation developed a new function – we think unique to the UK for foundations – of investment engagement.

Drawing upon what we have learned so far and on developments in our programme areas, we developed two themes to underpin and focus our proactive work – building economic resilience through community energy and engaging the utilities market and addressing inequality through more transparent executive pay structures.

You can read more about our investment engagement activities on our website.



Our ethical investment policy

The Foundation's investment policy reflects its continued commitment to ethical investment approaches. Our resources are in ethically screened funds to ensure that activities such as tobacco, armaments and gambling, and investments in companies and products that could harm civil society or adversely impact the name and reputation of the Foundation, are avoided. Furthermore, as more opportunities arise to pursue a positive ethical investment approach that delivers market rates of return, the Foundation will consider such investments as appropriate, balancing the need for diversification and minimising management fees.

Trustees have developed our thinking about our priorities in terms of investment as well as our policy relating to climate change; the full outline of our investment beliefs and policies is available on our website. We continue to work with other trusts and foundations in the Charities Responsible Investment Network, which is a project of ShareAction UK that supports a growing number of trusts interested in being more effective stewards of our resources. We are also members of a wider network of charities and other organisations in the Church Investors Group, supported by CCLA.



Climate risk and our investments

Whilst the Foundation is not primarily focused on environmental concerns, Trustees are mindful of the view of a wide range of experts that climate risk is arguably the biggest threat to economies today.

Climate-related systemic risk could have a highly negative impact not only on the Foundation's assets but also on its core mission and stakeholders through disruption of the financial system, with implications for jobs, incomes and inequality. Trustees therefore seek to do whatever they reasonably can to progress a rapid transition to a low-carbon economy.

Our social investment policy

In 2007, Trustees made their first social investment. Trustees have since determined that up to 10% of the investible funds could be invested directly in social enterprises and high social impact funds. The primary aim of social investments is to pursue the Foundation's broad charitable objectives and focused programmatic objectives using financial instruments other than grants. The secondary aim of social investments is to produce a financial return. Trustees are prepared to consider accepting a higher level of risk or a lower level of financial return than the market norm, especially for those social investments that are closely aligned with the Foundation's specific programme aims. For investments that generate broader positive social impact and meet the Foundation's general charitable objectives but without specific alignment with programme aims, Trustees might look for levels of risk and return that are closer to the benchmark for that asset class.

You can read more about our social investments on our website.





Publications this year

The wide dissemination of our funded work underpins our charitable aims and public-benefit objectives, and during 2016-17 we were pleased to support a number of publications, all of which are available through the Foundation's website at www.friendsprovidentfoundation.org

- Financial Innovation Today: Towards economic resilience - Bauman Institute, University of Leeds
- Creating Good City Economies in the UK - CLES and NEF
- Monitoring Financial Inclusion - The University of Birmingham. The last in a series of five annual reports commissioned to monitor progress towards or away from financial inclusion in Britain.
- Gridlock in the UK Power Market: How the Big Six capture of the regulatory process poses investor risk - InfluenceMap
- Wise Minds: The energy transition and large utilities – Forum for the Future
- Moving Beyond Neoliberalism: An assessment of the economic systems change movement in the UK – Laurie Laybourn-Langton and Michael Jacobs

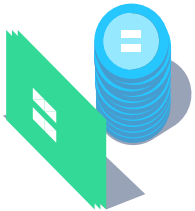
Objectives for 2017-18



Grants and social investments

To review, improve and enhance the grants and social investment functions and evaluate the programme.

We plan to learn from our programme to date, and to use the evaluation to further improve our programme effectiveness, focus our efforts and create ways of measuring our impact.



Using our endowment

To develop our investment engagement strategy further for our key themes.

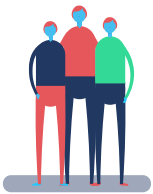
We will continue to develop the existing themes as well as consider the options for further areas of focus.



Communicating and convening

To further develop the Foundation's communications strategy and brand across all the Foundation's operations.

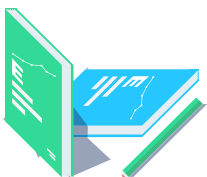
We will launch and expand the use of our brand and identity materials in order to communicate more effectively with key stakeholders.



To ensure the organisation embodies our aims

To build a strong staff team and effective Trustee body.

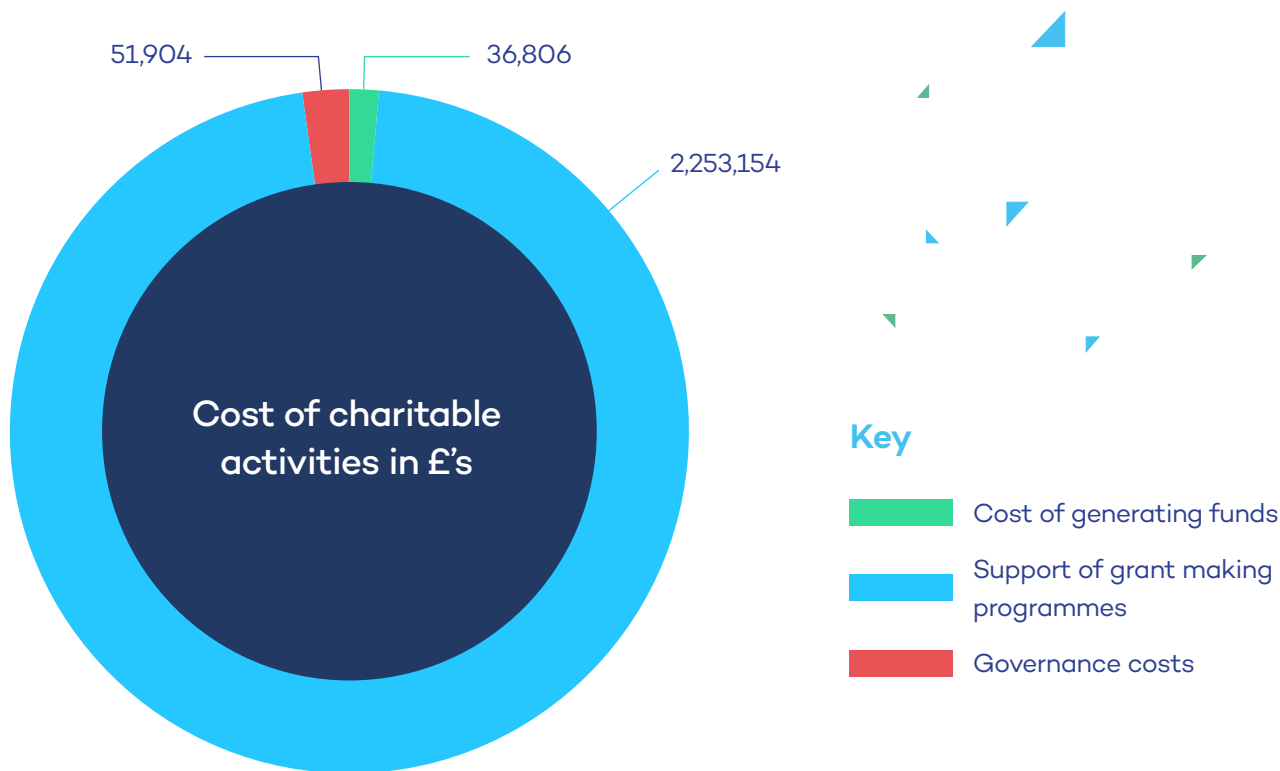
Given the recent changes at board and staff levels, we will create opportunities to ensure we have alignment of purpose, values and systems.



Continuous improvement

We will continue to improve how we work (administrative, grant-making and investment systems).

We will continue to look for opportunities to improve the ways we work with those we support, applicants and partners as well as our internal operations so that we continue to innovate and improve.



Charitable activities to 30 September 2017

Cost	Total 2017(£)	Total 2016(£)
Cost of generating funds	36,806	7,534
Support of grant making programmes	2,253,154	1,925,880
Governance costs	51,904	35,367
Total	2,341,864	1,968,781

Balance sheet to 30 September 2017

	Total 2017(£'000s)	Total 2016(£'000s)
Investments	36,869	34,265
Equipment	7	2
Net current assets/(liabilities)	(2,304)	(965)
long term creditors	(819)	(473)
Total	33,753	32,829



Trustees of Friends Provident Foundation

Joycelin Dawes
 Paul Dickinson
 Joanna Elson
 Jim Gilbourne
 Patrick Hynes
 Kathleen Kelly

Vice Chair
 (resigned 31/12/16)
 (appointed 1/1/17)
 (appointed 1/1/17)

Rob Lake
 Stephen Muers
 Hetan Shah
 Aphra Sklair
 Raj Thamotharam
 Whitney Thomas

(appointed 1/1/17)
 Chair
 (on sabbatical from 14/6/17)
 (resigned 22/12/16)
 (resigned 31/12/16)



Our purpose

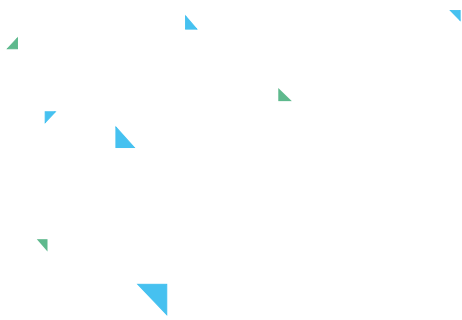
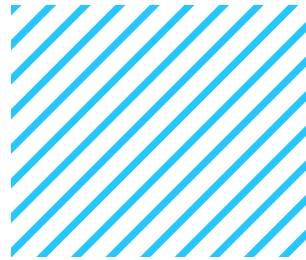
Friends Provident Foundation is an independent charity that makes grants and uses its endowment towards a fair, resilient and sustainable economic system that serves people and planet. We connect, fund, support and invest in new thinking to shape a future economy that works for all.

Since 2004, we've pioneered the creation of a fair economy for a better world. Already, we've helped improve access to financial services for people who were once excluded and supported the development of resilient economic communities across the UK.

We're a catalyst for wider change, making an impact through continuous experimentation and shared learning. And we do all we can to embody the change we want to see. We invest in great social enterprises and use our money in line with our values.

Tomorrow, we'll continue to fund more new thinking, connect new ideas, invest our capital in line with our aims and values, and create better systems so that, in the future, the economy will serve both people and planet.

For more information go to our website at www.friendsprovidentfoundation.org



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Friends Provident Charitable Foundation
Registered charity 1087053
A company limited by guarantee. Registered in England and Wales.
Company number 04228843



Fair economy. Better world.



[Friendsprovidentfoundation.org](https://www.friendsprovidentfoundation.org)

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