

John Ellerman Foundation

**Annual Report and Financial Accounts
1 April 2016 – 31 March 2017**

Registered Charity Number 263207

www.ellerman.org.uk

Chairman's Report

Looking back over a year of considerable change in the external environment, it seems that many of the pressures identified in our 2016 Annual Report persist. The impact of austerity on operating charities and their beneficiaries continues, as does fluctuating public trust and concern about charity fundraising and executive pay. As the sector responds by tending to become more risk averse and cautious, more restrictive public sector contracts and a negative environment for campaigning also serve to reduce charities' freedoms to manoeuvre in the best interests of the recipients of their services. The Brexit vote exposed deep divisions in public opinion and brought further uncertainty. Whereas our investment portfolio responded well to the churn in the year, reaching the highest ever value of £142m, there is every reason to expect greater volatility in the long term.

Trustees were pleased to increase the amount spent on grants last year to £5.4m, up 13% on the previous year. Pressure on our Welfare category was high throughout the year, and eventually led to an overspend of this budget by 20%. This was alleviated by a very welcome grant of £170,000 to us from the Four Acre Trust, as part of their spend-out strategy. Our Regional Museums & Galleries Fund, now in its fourth year, continues to be warmly received. From a field of 33 applicants, we made six grants, totalling £496,000, to an interesting and eclectic mix of museums and galleries in different parts of the UK. This brings the overall expenditure from the inception of this Fund to £2.2m.

Following the successful refurbishment of our offices, we were able to realise our ambition to start to convene events and bring together people with shared interests. Our meeting rooms were used to host some of our grantees from the Regional Museums & Galleries Fund as well as from our environment category; we also hosted a seminar with support from British Future for our Trustees, with a mixed group of charities and foundations, to learn about and debate the challenges faced by British Muslims. This is an area that we will be looking at in the course of the coming year.

Last year saw a number of changes at Board level. We were very pleased to welcome two new Trustee appointments: Gary Steinberg on the investment side and Geraldine Blake on Welfare. Both come with considerable expertise and standing in their fields and we are extremely fortunate to have them as colleagues. In January of this year, we said goodbye to Vivien Gould, a trustee for five years and latterly Chairman of the Finance & Investment Committee. She was influential in the development of our current investment management strategy, and we would like to express our appreciation of her hard-working contribution to that and to all our activities. Gary Steinberg has since stepped into the role of Chairman of the Finance & Investment Committee.

An informal Away Day, in October, was an opportunity for Trustees and staff together to hear our guest speaker Baroness Pitkeathley talk about the House of Lords review of charities. We also took a look back at the working of our grantmaking strategy and discussed a number of other pertinent issues. Out of that day came further avenues for exploration, including a Board paper on mission-related investment, a staff and Trustee group looking into possible changes to the category guidelines and approaches to evaluating impact and outcomes, all of which we will be taking forward in the coming year.

Sarah Riddell
Chairman

Trustees' Report

Our history

John Ellerman Foundation was created from a combination of the wealth and generosity of a father and son. The former, the first John Ellerman (1862-1933), had built up from scratch an empire of shipping and other businesses in the early part of the 20th century. At the age of 23, his son, also called John, inherited his father's baronetcy and very considerable fortune. Although in charge of the family firm, his real interests lay elsewhere. Like his father a publicity-shy man, the second Sir John became a distinguished zoologist and world expert in the study of rodents. In 1971, two years before his death, he donated the funds from the Ellerman Lines business to form the original Foundation.

The current Foundation is governed by a Scheme, approved by the Charity Commissioners for England and Wales in March 2002. The Scheme brought together the funds originally donated in 1971 with a smaller trust fund set up under the first Sir John's will, and the Trustees were granted incorporation under the Charities Act 1993 as the Trustees of the John Ellerman Foundation. The Scheme provides wide powers for the Trustees to carry out their duties.

Aim and objectives

Our aim is to advance the wellbeing of people, society and the natural world. We seek to achieve this by:

1. funding charities with a national footprint to make a practical difference, in the fields of arts, environment and welfare (our categories); and
2. managing our funds in such a way that balances the desire to maintain grantmaking capacity with operating in the long term, which means in excess of 30 years.

The Foundation's strategy and policies are reviewed at board meetings and through setting annual objectives for governance, administration, investment and grantmaking. Away days are held every few years and provide a forum to reflect in greater depth on experience and the Foundation's future direction. A special meeting to discuss the spend policy took place in April 2015, and the full Away Day in October 2016.

Public benefit

This flows from the Foundation making grants to charities engaged in activities which support their beneficiaries. Core funding has long been our signature, which reflects Trustees' belief in the value of a thriving charity sector.

Trustees confirm they have referred to the Charity Commission's guidance on public benefit when reviewing their objectives and aims, making any relevant decisions and reviewing grantmaking policy.

Achievements and Performance

From consolidation to reflection and review

In 2013, Trustees implemented a more streamlined and focused approach to grantmaking, followed by a simplified investment strategy. Subsequent years have seen these policies bedding in.

Having held a steady course during a period of considerable change for charities and the wider world, our Away Day in October 2016 was a timely opportunity to take stock. Baroness Jill Pitkeathley joined us to set the scene, and her experience and overview as Chairman of the House of Lords Committee on charities gave a rich context for our discussion. With four new Trustees since the last such event, the day was a chance to reflect in depth on the experience of our funding approach, understand the role of philanthropy in civil society, and debate how an independent funder can be most effective.

For grantmaking, Trustees remain enthusiastic about our aim of advancing wellbeing. They are also increasingly aware of how our three grantmaking categories contribute to this, both individually and collectively. A package of data and other briefing materials threw up some issues which warranted further discussion – including whether the funding categories should remain the same or have greater focus, how to support work which focuses on more than one of our categories, and the merits of a more thematic approach. A sub group of Trustees and staff is now taking this forward.

On the investment side, the Finance & Investment Committee's annual strategy meeting is an opportunity to stand back and take a longer view of past performance and the future. However, this does not necessarily mean a change in course. The Foundation is here for the long term, and we will review how managers are doing over 3-5 years, rather than keep opening the oven door to see how the cake is rising. Trustees consider the strategy so far to be working well, but are aware that markets have been relatively benign.

The Away Day did not therefore revisit the investment strategy. Trustees expressed interest in a better understanding of developments in social and other forms of investment, on which the Finance & Investment Committee is leading.

Trustees revisited and affirmed the Foundation's ethos and values. These are: being responsive, discerning, flexible and connected, all with a personal touch. Our values run through everything we do, from setting our strategy to how we operate, particularly informing our relationships with grantees and others.

Convening and connecting

John Ellerman is just one of many grantmaking foundations, which form part of a wider funding ecology. This network brings together valuable intelligence and other resources. During the year, we were delighted to share our common interest in our Welfare category with the Four Acre Trust, whose financial support helped us respond to a significant increase in demand in this category.

Our Trustees have a long standing interest in convening groups with common interests, many of whom may not otherwise meet – indeed, connecting is one of our values. Our newly refurbished offices provide a pleasant environment to expand this offering and our meeting rooms are now available for grantees to use free of charge. And during the year we actively brought together clusters of our grantees. These included those working in the UK Overseas

Territories and selected representatives from museums and galleries.

Trustees are keen to understand better the identity and integration challenges faced by Muslim communities today. With support from British Future, we invited Muslim colleagues to talk with us and other funders about the opportunities for a stronger voice for British Muslim communities, and how we can work for a more positive future.

In common with Tudor Trust, we share an interest in funding work with older people. Our joint initiative through a grant to the Clore Social Leadership Programme is intended to develop individuals working in this sector. On two occasions we have now co-convened with Tudor the growing band of Clore fellows with an interest in older people. This has proved a valuable opportunity for us to learn from what they have been doing and for the charities to exchange experience and cooperate.

How are we doing?

We want our funding to make a difference. As a charity ourselves, we are expected to report on our own impact. We therefore follow the debate on impact with interest but also with some concerns. Interest, because those charities that think hard about what they are doing and evaluate this are often the most successful. Concern, because the current debate on impact can have a top down feel, and be funder-led. Also, while measurement is important, and charities and funders can improve their use of data, many of the benefits flowing from the work we fund are hard to measure. There is also a risk of funding only what can be measured.

We remain convinced that funding effective charities is the best route to achieving impact. Meeting every charity being considered for a grant is central to this. Our Trustees' engagement in these visits and in interpreting our funding criteria gives insights into the charities' work and helps us identify which grants are most likely to make the most difference. This question is a key touch point in deciding which grants to make, and is asked as part of our monitoring process.

We believe that these factors improve our grantmaking. And both convening ourselves and providing opportunities for grantees to get together are additional means of adding value to our individual grants.

Flexibility

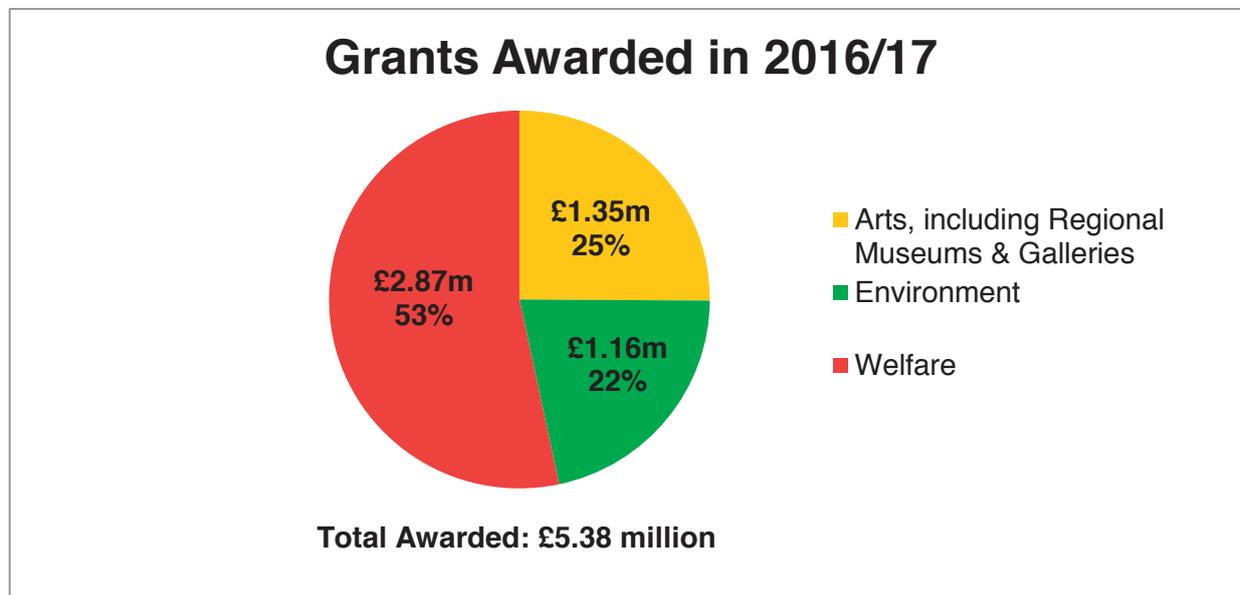
This is one of our five values, which is made more powerful by our independence. While it is important to have funding guidelines so applicants know what we will fund, Trustees have freedom to step outside these rules where this contributes to our aim. One such example was our grant of £200,000 towards Hull Truck Theatre's role in Hull City of Culture 2017.

The first John Ellerman was born in Hull, which was also one of the ports serving his eponymous shipping line. The grant was a welcome opportunity to support something with a link to the Foundation's origins. While consistent with our funding interests, the scale and nature of the work made this an exceptional grant. We were also an early supporter, with the accompanying risks. Trustees were therefore delighted to experience first-hand the transformational effect of the City of Culture during a recent visit – including a highly enjoyable new play at Hull Truck, which was also their first co-commission with the Royal Shakespeare Company.

Grants made 2016/17

This was the third full year of operation since 2013 when the Trustees reviewed our policies and formulated a new grantmaking strategy.

We publish details of grants approved on our website following Board meetings, which take place six times a year. A full list is included later in this report.



In the year to 31 March 2017:

- We made 71 grants worth £5.38m and incurred a further £0.02m of grant-related expenditure.
- The budget and expenditure are as follows:

Category	Allocation	Spend
Arts	28%	25%
Environment	24%	22%
Welfare	48%	53%
- The average size of a grant remained the same as last year at approximately £30,000 per annum or £76,000 overall.
- 60 out of the 71 grants were for core funding, representing 85%. This was an increase from last year, when it was 75%.
- Most grants were for more than one year:
 - 5 were for one year
 - 28 were for two years
 - 38 were for three years
- In the Arts category, 12 grants were for the performing arts and six went to regional museums and galleries, through our dedicated Fund.

Share of grants between the different categories

At the beginning of each financial year, the budget is allocated to the three categories, with roughly half of the available funds set aside for Welfare and a quarter each to Arts and Environment. In the previous three years, all of the Regional Museums & Galleries Fund, our channel for visual arts funding, came out of the Arts budget. This year, Trustees decided to top slice all three budgets to create the £500,000 Fund. This was to relieve the pressure on the Arts budget, but also to recognise that many museums and galleries make a wider contribution to the wellbeing of people and the places where they live.

Trustees are flexible in deploying the funds allocated to the three categories, which allows them to respond to the number and quality of applications. Spending on Welfare took 53% of the total, slightly up from last year's 50%. Pressure on this category was consistently high during the year, and eventually led to an overspend of 20% of the Welfare budget. This was alleviated to some extent by a grant to us from the Four Acre Trust, as part of their spend-out strategy.

Cross-category grantmaking

Our overall aim is to advance wellbeing, which runs through all three of our grantmaking categories. In the past year, several new grants straddled two categories, specifically Welfare and Environment (three) and also Welfare and Arts (two). Trustees remain very interested in this crossover and welcome applications that show synergies across more than one area.

National footprint

The absence of a national footprint is still the largest single reason for applications being turned down at the first stage, with 69 out of the 142 ineligible applications (49%) failing on this count. This is an 11% increase from last year, and we are looking at this as part of our review.

Applications and success rates

We reviewed fewer applications this year, with 418 applications compared to 447 last year. The number of ineligible applications was also down, from 163 (39%) to 142 (32%), meaning the number of eligible applications was similar. This reduction in numbers may be explained by the fact we provide frequent pre-application advice, so some applicants decide not to proceed with a proposal.

Of the 237 eligible applications, 79 were invited to submit a second stage application. This represents a 33% success rate, which is an increase from last year's 26%.

Of the 79 second stage applications brought to the Board 70 received a grant, which represents an 89% success rate, an increase on last year's rate of 84%.

Looking at both sets of figures together, this represents an overall success rate of 29.5%, which is significantly higher than last year, when 21.8% of all eligible first-stage applicants received a grant.

Funding regional museums and galleries

This Fund concentrates on museums and galleries outside London, with a focus on strengthening and supporting curatorial development. Demand has been strong and increased year on year during the first three years. However, into the fourth year we received 33 applications (just over half of the number received the previous year), but the quality of the proposals was noticeably higher, and all were within the guidelines. This indicates that the Fund is becoming more well-known and organisations are making targeted applications. Out of the 33 applications, the Trustees agreed six grants – a success rate of 1:5, which is a significant improvement on previous years.

Experience from four funding rounds to date confirms that the trends identified in 2013, when the Fund was launched, are hardening. Local authority cuts and other economic constraints are beginning to bite, and if anything are getting more severe. There is enthusiasm among Trustees for continuing the Fund for a further year, and using that time to gather the learning as grants come to an end and raise awareness of the importance of curatorial skills.

Looking ahead

The Away Day was a catalyst for refreshing our approach and thinking more deeply about certain issues. As mentioned earlier, a small group of staff and Trustees is looking at our approach to grantmaking, and we expect to finalise this work in the coming months. The Finance & Investment Committee will develop a briefing paper on Mission Related Investment to facilitate a Board discussion. We will also be looking at our longer term support for regional museums and galleries. Developing our thinking on impact is important to us, and we will participate in an evaluation event, which is focused on responsive grantmakers such as ourselves.

In last year's annual report, we noted that times are difficult for charities. Not only does this remain unchanged, but the economic pressures on them and their beneficiaries seem to have increased. This came through most clearly in the applications to the Regional Museums & Galleries Fund, and greater demand (and spending) in our Welfare category. Trustees were therefore pleased to be able once again to increase the grants budget, and we expect to award around £5.4m during 2017/18. We can now offer free use of our meeting rooms to grantees, an additional form of support, which we expect to evaluate in the year ahead.

Financial Review

Investments

The Foundation's investment aim is to manage its funds so as to balance Trustees' desire to maintain a high level of grantmaking consistent with that of operating in the long term. This aim provides the underlying basis for our investment objective, which is to achieve a real return of 4% per annum over the long term. Trustees have adopted a Total Return approach, which means that both income from the portfolio and the underlying capital can be used to support the Foundation's activities.

The year to 31 March 2017 continues the Foundation's strategy established in 2013. We retain six investment managers who have responsibility for all asset allocation decisions within an overarching framework set by the Finance & Investment Committee. The Committee's responsibilities are focused on the overall investment strategy, while the investment managers have day-to-day responsibility for portfolio management. Investec, Ruffer and Smith & Williamson manage segregated portfolios, while the investments with Newton, Barings and the Charities Property Fund are held in pooled funds.

Investment performance

The Finance & Investment Committee monitors the performance of each manager. First, the managers' primary objective is to achieve a real return target of 4% per annum net of costs. Second, a comparison with a simple benchmark of 80% UK equities and 20% UK government bonds is used to provide evidence of the benefit of running the diversified, actively managed investment structure.

Stanhope Consulting continues to serve the Committee with performance measurement analysis, commentary on the managers' performance and modelling options to assist with the review and planning of the investment strategy.

At 31 March 2017, the Foundation's investment portfolio was valued at £142m, an increase of 10.9% over the previous year's level of £128m. The portfolio Total Return for the financial year ending 31 March 2017 was 15.7% (2015/16: minus 0.6%), compared to the long term objective of 7.3% (2015/16: 5.6%) and the total return for the simple benchmark of 18.8% (2015/16: 2.4%).

Since the start of our current investment strategy three years ago, the portfolio total return of 9.2% per year has exceeded our RPI +4% benchmark by 3.3% per year and our managers have also, in aggregate, exceeded the simple benchmark by 1.3% per year.

Income and expenditure

The Foundation's income derives largely from its investment portfolio. Total investment income remained steady at £3.9m. In addition, we received grant income of £170,000 from Four Acre Trust, which was used wholly to enhance our capacity to make grants in the Welfare category. In line with our Total Return approach, we realised £2.0m through sales from our portfolio to meet our projected working capital requirements for the near future.

The Foundation has three significant items of expenditure: the grants that we make, the costs of managing the investment portfolio and the running expenses of the Foundation (of which staff costs are the major component). Total expenditure was £6.6m, compared to £6.0m last year. Grants were £5.4m (2015/16: £4.8m); Investment Management costs at £0.6m were greater than previous years as these are linked to the portfolio value, which rose during the year; and the running costs of the Foundation of £0.6m were 9.8% (2015/16: £0.6m, 11.5%) of total expenditure (excluding investment costs). Trustees are mindful of the need to control running costs in order to maximise the amount available to spend on grants. We continue to monitor these closely.

Spending policy

We manage our assets and expenditure for the long term – which we define as in excess of 30 years. Trustees regard our present spending policy as demanding, but currently sustainable. In April 2015, Trustees held a special meeting to determine an appropriate spending policy, concluding that annual expenditure would be set at 4.5% of the value of the Foundation's net assets, averaged over the quarter end values of the last three calendar years. The Finance & Investment Committee reviews this policy each year and reports to the Trustees.

Reserves policy

For the Foundation, the reserves policy is inextricably linked with the spending policy. The Total Return approach means that actual income received each year will be supplemented, if necessary, from distributable capital. Given that all of the Foundation's endowment funds are expendable, the Trustees have sufficient flexibility to respond to unforeseen circumstances if necessary, and therefore it is not considered appropriate to identify a level of free reserves that need to be maintained.

Remuneration policy

Pay is reviewed annually by the Remuneration Committee, taking into account external market conditions, such as RPI and cost of living awards in other sectors, and the cost as a proportion of overall expenditure. Trustee remuneration is linked to an external benchmark of RPI in a specified month, and as such is not determined by Trustees themselves.

Socially responsible investment

To recognise the link between the Foundation's investments and grantmaking activities, Trustees exclude investment in tobacco-related companies wherever practically possible.

Social investment

In 2007, the Foundation made a social investment of £250,000 in Charity Bank, in the form of an unsecured 10-year loan. This combines a social and financial return. Charity Bank lends to charities and, as the loans are repaid to the bank, the funds become available to help additional charities. The Foundation receives interest annually. Trustees understand that the financial return on the loan could be lower than other investments over the same period. This loan is due to be repaid in full in 2017/18.

In 2014/15, Trustees approved a second social investment, of up to £250,000, in a Fund created by Social Finance to expand the number of Shared Lives schemes in England. These schemes provide a home and family life, instead of life in an institution, for adults who are unable to manage on their own. They are a personal, highly-rated form of care about which Trustees are enthusiastic. This investment follows a grant to Shared Lives Plus in 2012, and is intended to help with scaling up a selection of Schemes in a way that a grant could not. In its first year, due diligence, legal work and administration was completed and the first draw-down was made in April 2015. In 2016/17, the programme expanded and additional drawdowns under the terms of the scheme mean that we have currently lent £124,000 out of a maximum initial commitment of £250,000 extended to the programme.

Grants made in the year ended 31 March 2017

Grants are included in the Statement of Financial Activities once they have been approved by the Trustees and grantees informed. This is a list of the new grants awarded in 2016/17.

Arts

Curve Theatre	£96,000
Towards the salary of a new Touring Producer to lead on the promotion, planning and delivery of the theatre's work on tour.	over three years
Dash Arts	£70,000
Towards core costs, specifically the salary of the Administrative Producer, to strengthen the company's strategic management and further develop the UK based work.	over two years
Everyman & Playhouse	£90,000
Towards costs of a new model, the Playhouse Residencies: a hub for visiting theatre companies to stay for a longer period, thereby creating a more in-depth and valuable experience.	over three years
Little Angel Theatre	£64,104
Towards the salary of a new Development Officer to give the leadership team more capacity to build on the theatre's strategy and vision.	over three years
London Sinfonietta	£90,000
Towards the salary of the Chief Executive to lead the organisation through its 50th anniversary in 2018 and achieve a step change in artistic and income generation capabilities.	over three years
New Vic Theatre	£75,000
Towards the salary costs of an Assistant Director to support the artistic development and delivery of show transfers and touring.	over three years
Opera Up Close	£20,000
Towards core costs, specifically the salary of a Development Manager to expand its programming to more small- and mid-scale venues.	over two years
Orchestras Live	£60,000
Towards the salaries of the two Partnership Managers to deliver ambitious local orchestral strategies with their national network of promoter partners.	over two years
Scottish Ballet	£90,000
Towards the cost of producing and launching a Digital Season, offering existing and new audiences the opportunity to engage with ballet through a variety of digital media.	over three years
Tavaziva	£69,807
Towards the core costs of making original contemporary-African choreography for performance and educational purposes.	over three years

Tenebrae	£90,000
Towards the salaries of the General Manager and the Concerts & Promotions Officer, to allow the ensemble to respond to increasing demand for their concerts and outreach work.	over three years

The Place	£40,000
Towards the costs of developing and producing new work with the Richard Alston Dance Company.	over two years

Total Arts Grants	£854,911
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Regional Museums & Galleries Fund

Museums Sheffield	£99,000
Towards the costs of the next phase of the Going Public project, which aims to research and develop relationships between private and civic collections and philanthropists, especially in fine art.	over three years

Orkney Natural History Society	£75,078
Towards the salaries of a new Collections Development Team to strengthen the curatorial capacity of Stromness Museum.	over two years

Silk Heritage Trust	£99,000
Towards the salary of the Director and costs associated with improving the care, access and documentation of the collections held by Paradise Mill and the Silk Museum.	over three years

Tate Foundation	£90,903
Towards the costs of a touring and registrarial skills training programme with four regional partner organisations, centred around Le Passeur 1881 by William Stott of Oldham.	over three years

Tyne & Wear Archives	£86,148
Towards the costs of a development and exhibitions project at the Laing Art Gallery, which will provide a new model of researching, curating and touring exhibitions for local authority museums.	over two and half years

Watts Gallery	£46,000
Towards the salary of a new Curator of Landscape to develop and implement a coherent vision for the different sites comprising the Artists' Village.	over two years

Total Museums & Galleries Grants	£496,129
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Environment

Campaign for National Parks

Towards the salaries of the Chief Executive and Campaigns and Communications Officer, to support their work ensuring the 13 English and Welsh National Parks are used and valued for their wildlife conservation and contribution to a healthier society.

£75,000
over three years

Falklands Conservation

Towards the salary of a Habitat Officer, to continue their conservation work with local and international partners across the Falkland Islands.

£126,000
over three years

Fishing into the Future

Towards the core costs of bringing together fishermen, scientists, government, environmental groups and other stakeholders to work towards a more sustainable fishing industry.

£100,000
over two years

Froglife

Towards the salary of the Conservation Coordinator, to protect amphibians, reptiles, and their habitats, through conservation work and environmental education.

£72,000
over three years

Funding Fish

Towards the costs of the Ocean Disclosure Project, which aims to reduce overfishing by encouraging retailers in the UK to disclose the sustainability of their fish sources.

£109,000
over three years

Gloucestershire Gateway Trust

Towards the salary of the Chief Executive of the Coastal Producer Organisation, which aims to work with inshore small scale fishermen to improve fishing stocks and sustainability.

£90,000
over three year

John Muir Trust

Towards the costs of the Peatland Programme, a collaboration which aims to enrich and develop healthy ecosystems by promoting peatland restoration on a substantial scale across the UK.

£98,000
over two years

Salmon and Trout Conservation UK

Towards the salary of a Scientific Assistant to analyse and build a database of invertebrates in rivers to improve biodiversity.

£105,000
over three year

Smith School of Enterprise & the Environment

Towards a capacity building programme for environment NGO leaders to develop and strengthen their understanding of finance and investment as it relates to environmental sustainability.

£20,000
over one year

Sustainable Inshore Fisheries Trust

Towards core costs of reviewing and proposing amendments to outdated Scottish Fisheries Acts to ensure that inshore waters are managed in line with international best practice.

£90,000
over three years

The Orchard Project	£75,000
Towards the salaries of the Chief Executive and Fundraising Manager to continue their work creating and restoring community orchards in the UK.	over three years
Wessex Chalk Stream and Rivers Trust	£100,000
Towards the core costs of its work protecting the globally important chalk stream freshwater bodies of the UK.	over three years
Wildlife & Countryside Link	£103,601
Towards the salary of the Marine Policy and Campaigns Manager to enable Link members to have influence and impact on matters relating to the marine environment.	over three years
Total Environment Grants	£1,163,601
 Welfare	
AFRUCA (Africans Unite Against Child Abuse)	£53,582
Towards the salary of the Head of Finance and Administration, a core role supporting the charity's child protection work in the UK.	over two years
Auditory Verbal Centre	£60,000
Towards core costs, specifically the salary of the Chief Executive to continue its work with deaf children.	over two years
Bipolar UK	£60,000
Towards the core costs of their work improving the quality of life of people with bipolar disorder and supporting their families.	over three years
Blue Sky Development	£80,000
Towards the salary of a Commercial Director to help increase and diversify jobs for ex-offenders and enhance the training provided to improve longer term career prospects.	over two years
British Future	£120,000
Towards the core costs of their work to build a more inclusive Britain, through engaging people in all parts of the UK in open conversations about their hopes and fears about immigration, integration and migration.	over three years
Centre for Sustainable Healthcare	£120,000
Towards the core costs of developing greener models of care in the NHS.	over three years
Chance UK	£60,000
Towards the salary of the Quality and Evaluation Manager to improve the quality and impact measurement of their early intervention programme for the most at risk young people aged 5-10 and their parents.	over two years

Child Bereavement UK	£75,000
Towards the expansion of its youth group model for bereaved teenagers.	over three years
Children's Sleep Charity	£90,000
Towards the salary costs of the CEO to expand their support to families with children who have sleep difficulties.	over three years
Communication Matters	£50,000
Towards the core costs of its work in supporting individuals with no speech, and their families and carers, who use technology to communicate through augmentative and alternative communication systems.	over three years
Contact the Elderly	£84,000
Towards core costs, specifically the national Volunteer Support Team.	over three years
DeafPlus	£85,350
Towards the salary of a new Head of Business Development to increase management capacity and allow them to support more people with hearing loss through advocacy, advice and employment skills training.	over two years
Disability Rights UK	£70,000
Towards the core costs of its advice work to disabled people and support organisations, including an independent living helpline, members' advice service and online information.	over two years
Emmaus UK	£75,000
Towards the costs of their people management project to strengthen HR capacity across the network.	over two years
Family & Childcare Trust	£60,000
Towards the salary of a new Programme Development Manager to expand the Parents Champions programme into areas of greatest need and increase parents' take up of local early support and family services.	over three years
Family Links	£60,000
Towards the core cost for its work empowering children, parents, families and schools to be more emotionally healthy.	over two years
Fledglings Family Services	£45,000
Towards the salary of a new CEO to drive development and growth, in particular in digital areas, to reach more families and carers of children with disabilities.	over two years
Forward Thinking	£45,000
Towards core costs to deliver a series of practical initiatives, political literacy and media training, and regional and national roundtables with young British Muslim communities.	over 18 months
Gingerbread	£50,000
Towards the core costs of providing advice and support for one parent families.	over two years

Heart n Soul	£90,000
Towards the salary of the General Manager to help them build new creative connections and partnerships, and allow more audiences nationally to experience the talents of people with learning disabilities.	over three years
Institute for Statecraft	£66,000
Towards the salary of a Project Coordinator for "Shared Outcomes", a national programme aimed at engaging young Muslims.	over two years
Just for Kids Law	£50,000
Towards the costs of training new law graduates to work alongside lawyers and youth advocates to offer one-to-one, holistic support to young people with legal and other difficulties.	over two years
Law for Life: Foundation for Public Legal Education	£95,000
Towards the salary of the Head of Education and Training to enable the strategic development and scaling up of a community based public legal education programme.	over three years
Maternity Action	£80,000
Towards the core costs of their work, ensuring pregnant women and new mothers do not face discrimination and/or health inequalities.	over two years
Mentor Foundation	£50,000
Towards the core costs of their work promoting the health and wellbeing of children and young people and prevent alcohol and drug misuse.	over two years
New Family Social	£49,307
Towards the salary costs of a Volunteer Coordinator to support its volunteers who provide personal and social networks for LGBT adopters, foster careers and their children.	over three years
OCD Action	£50,000
Towards the core costs of delivering a range of frontline services and projects which make a tangible and long term difference to the lives of people with OCD.	over two years
Outward Bound Trust	£50,000
Towards the salary of a new Diversity Manager to stimulate the recruitment of a more diverse team of instructors to work with young people.	over one year
Raleigh International	£75,000
Towards the costs of delivering the UK elements of their Youth Partnership Programme with a focus on the most disadvantaged young people.	over three years
Reach Volunteering	£90,000
Towards the core costs of their work connecting charities and skilled professional volunteers through the digital iReach platform.	over two years

Refugee Action	£100,000
Towards the salary of a Coordinator to lead the Asylum Crisis programme, a vital and innovative model of helping destitute asylum seekers access support.	over two years
Sensory Trust	£90,000
Towards the salary of the Director to continue their work making outdoor places more accessible for people with disabilities and other health problems.	over three years
Smart Works	£96,000
Towards the costs of helping women on low incomes get into employment by providing an outfit for interviews along with one-to-one interview training.	over three years
Start Up	£59,000
Towards the running costs of a training and peer mentor programme, to support homeless, unemployed "at risk" young women develop life skills and employability.	over two years
Stepping Out	£90,000
Towards the core costs of the theatre company's work using performing arts as an instrument for recovery, personal development and social change for mental health service users.	over three years
The Food Train	£63,300
Towards the salary costs of a Development Manager to take its model of supporting elderly people from Scotland into the rest of England and Wales.	over 21 months
The Mix	£105,000
Towards the salary of a new Volunteer and Training Coordinator to recruit and retain more volunteers to provide support to young people.	over three years
The Point of Care Foundation	£88,850
Towards the costs of promoting the Schwarz Rounds, a structured forum for all healthcare staff to discuss the emotional and social aspects of their work to improve patient care.	over three years
Together for Short Lives	£80,000
Towards the costs of expanding their digital outreach and support services for families of children with life limiting conditions.	over three years
Total Welfare Grants	£2,860,389
Additional grant-related expenditure not included in the above	£28,159
TOTAL GRANTS MADE IN THE YEAR ENDING 31 MARCH 2017	£5,402,483

Structure, Governance and Management

Trustees

The Foundation's Trustees are listed at the end of this report. The governing document provides for a maximum of nine and a minimum of three. There are currently seven. Trustees are appointed for five years, followed by the possibility of a further five years. A Trustee who is selected to be Chairman of the Board or the Finance & Investment Committee may serve beyond the 10-year term if this is in the best interests of the Foundation. Since the introduction of the Equalities Act 2010, there is no retirement age.

The first Trustees were personally selected by Sir John and Lady Ellerman and had strong links with the Ellerman companies. Over time, this has changed and in 2011, the last Trustee with a personal connection to Ellerman Lines retired.

Today, Trustees are recruited according to the skills, knowledge and experience required. Existing Trustees identify where the gaps need to be filled, such as those relating to a grant category or profession. Potential candidates are interviewed by the Chairman, a panel of Trustees and the Director. From time to time, an external agency assists with recruitment.

Each new Trustee receives a full induction and a detailed information pack, covering the Foundation's governance, history, grant guidelines, investments and objectives. On-going training and skills development takes a variety of forms, depending on the role and interests of the individual Trustees, and includes attendance at seminars, conferences and other events. There is an annual appraisal by the Chairman, who in turn, is appraised by two Trustees.

Trustees are closely involved in the evaluation of applications and grants made. They sift initial applications, visit those organisations invited to submit a second-stage application and provide written reports to the Board.

Organisational Structure

The Trustee Board meets at least six times each year. The Board sets strategy and policy for grantmaking and financial matters, and approves new grants.

Several Committees support the Foundation's work throughout the year, and report fully to the Trustee Board:

- The Finance & Investment Committee is responsible for financial and investment matters. The Committee's role includes developing an appropriate investment strategy, overseeing its implementation and monitoring investment performance. It also reviews and recommends to the Board the annual budget and spending policy, monitors expenditure and ensures that adequate internal controls and procedures are in place. It meets at least four times a year.
- The Remuneration Committee is responsible for reviewing all remuneration and benefits for staff and Trustees. It meets at least once a year.
- The Risk & Audit Committee is responsible for reviewing systems of internal control of governance, operational and financial risks. Meeting at least twice a year, it also reviews the draft annual report and accounts, and meets the auditors.
- The Nominations Committee is responsible for the recruitment of Trustees as delegated by the Board. It is not a permanent committee but is convened when a new Trustee is to be appointed.

The day-to-day management of the Foundation's affairs is delegated by the Trustees to the Director and staff team. They are responsible for ensuring that the Trustees' decisions are implemented in accordance with existing policy and within budget, and for briefing Trustees on current trends in the charitable sector and advising on how these may affect policy.

Risk Statement

The Trustees are responsible for the management of the risks faced by the Foundation. These fall into four areas:

- Governance and management
- Operational
- Grantmaking
- Finance

The Risk & Audit Committee reviews all these areas and identifies the major risks, their likelihood of occurrence, the significance of the risk, mitigating controls that are in place, and recommends any additional actions and resources required to reduce and manage those risks. These are documented in a Risk Register, which is also considered by the Trustee Board.

The Foundation's investment activities represent its main financial risk. This risk is managed with the support of an investment consultant, by regularly reviewing investment policies and objectives, employing external managers to achieve a well-diversified portfolio and closely monitoring their performance relative to the investment objective.

Applications for grants are assessed carefully to ensure that the Board understands any risks associated with a particular organisation or programme of work, and appropriate conditions are agreed. Once a grant is approved, monitoring and reporting processes are in place to ensure grants are well managed and evaluated.

All relevant procedures are included in the Foundation Handbook; these are checked and updated regularly. An Emergency Disaster Plan and Health & Safety Review form part of the annual risk assessment and are detailed in the Handbook. Trustees confirm that they are satisfied with the current systems and internal controls.

Conflicts of Interest

Trustees and staff are expected to conduct the business of the Foundation with integrity at all times. A Conflict of Interest Policy is in place to ensure that there is no personal gain from the Foundation's work.

All staff and Trustees complete an annual register of interests form. At each Board Meeting, each Trustee completes a declaration of interest form listing all applications to be discussed. Staff and Trustees are also expected to alert those present to any interests, and may be asked to withdraw from the room during the relevant decision-making process. Any relevant gift or hospitality received by Trustees and staff is also recorded on the Register of Interests. A note to the financial accounts lists grants made to any organisation during the year with which a Trustee of the Foundation has a close relationship.

Statement of Responsibilities of the Board of Trustees

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards, including FRS102 have been followed, subject to any material departures 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; and
- state whether a Statement of Recommended Practice (SORP) applies and has been followed, subject to any material departures which are explained in the financial statements.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deeds. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



SARAH RIDDELL
Chairman



GARY STEINBERG
Chairman, Finance & Investment Committee

20 July 2017

Independent Auditors' Report to the Trustees of the John Ellerman Foundation Charity

We have audited the financial statements of John Ellerman Foundation for the year ended 31 March 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland'.

This report is made solely to the charity's Trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and charity's Trustees as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement (set out on page 21) the trustees are responsible for the preparation of financial statements which give a true and fair view. We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Trustees Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2017, and of its incoming resources and application of resources, 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; 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.

Kingston Smith LLP
.....

Date: *24 July 2017*
.....

KINGSTON SMITH LLP
Statutory auditor
Devonshire House
60 Goswell Road
London
EC1M 7AD

Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

Statement of Financial Activities for the year ended 31 March 2017

	Notes	Total Unrestricted Funds 2017 £'000	Total Unrestricted Funds 2016 £'000
Income			
Income from investments	3	3,930	3,931
Income from grants		170	-
Total income		4,100	3,931
Expenditure			
Expenditure on raising funds	5	711	675
Expenditure on Charitable Activities			
Grants to charities	4	5,402	4,767
Costs in support of grant-making	5	518	582
Total charitable activities		5,920	5,349
Net gains/(losses) on investments			
Gains/ (Losses) on investment assets	9	16,354	(4,511)
Net income/(expenditure)		13,823	(6,604)
Net movement in funds		13,823	(6,604)
Reconciliation of funds			
Total funds brought forward		128,809	135,413
Total funds at 31 March 2017		142,632	128,809

All the above figures relate to continuing operations. There are no recognised gains or losses other than those disclosed.

Balance Sheet at 31 March 2017

	Notes	2017	2016
		£'000	£'000
FIXED ASSETS			
Tangible Fixed Assets	8	1,515	1,545
Investments	9	142,079	128,150
Social Investment		374	318
Total Fixed Assets		143,968	130,013
CURRENT ASSETS			
Debtors	10	689	685
Cash at bank and in hand		4,326	3,361
Total Current Assets		5,015	4,046
CURRENT LIABILITIES			
Creditors falling due within one year	11	(4,919)	(4,106)
NET CURRENT ASSETS		96	(60)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		144,064	129,953
Creditors falling due after more than one year	12	(1,432)	(1,144)
NET ASSETS		142,632	128,809
FUNDS			
Expendable Endowment Capital		142,632	128,809
TOTAL FUNDS		142,632	128,809

The financial statements were approved by the Trustees on 20 July 2017 and were signed on their behalf by:



SARAH RIDDELL
Chairman



GARY STEINBERG
Chairman, Finance & Investment Committee

Statement of Cash Flows for the year ended 31 March 2017

	Notes	2017	2016
		£'000	£'000
Net cash provided by/(used in) operating activities	15	(5,331)	(5,214)
Cash flows from investing activities			
Interest received		22	22
Investment income received		3,908	3,909
Purchase of fixed assets		(3)	(299)
Movements in investments cash balance		520	247
(Loss)/gain on foreign exchange		(409)	(83)
Sale of investments		19,298	15,611
Purchase of investments		(16,984)	(13,889)
Purchase of social investment		(56)	(68)
		6,296	5,450
Increase/(decrease) in cash		965	236
Cash and cash equivalents at the beginning of the reporting period		3,361	3,125
Cash and cash equivalents at the end of the reporting period		4,326	3,361

Notes to the Financial Accounts for the year ended 31 March 2017

1 Charitable status

The John Ellerman Foundation is a charity registered under the Charities Act 1960, No. 263207; all the income has been agreed as being charitable and therefore no UK taxation is payable.

2 Accounting policies

i. Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, with the exception that investments are valued at market value.

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The Charity is a public benefit entity for the purposes of FRS 102 and therefore the Charity also prepared its financial statements in accordance with 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 (The FRS 102 Charities SORP) and the Charities Act 2011.

The accounts (financial statements) have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The accounts (financial statements) have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The trustees have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the charity to continue as a going concern. The trustees have made this assessment for a period of at least one year from the date of approval of the financial statements. In particular the trustees have considered the charity's forecasts and projections and have taken account of pressures on investment income. After making enquiries the trustees have concluded that there is a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

The financial statements have been prepared in sterling which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest thousand.

ii. Financial instruments

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the SOFA, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

iii. Critical accounting estimates and areas of judgement

In the view of the trustees in applying the accounting policies adopted, no judgements were required that have a significant effect on the amounts recognised in the financial statements nor do any estimates or assumptions made carry a significant risk of material adjustment in the next financial year.

A summary of the more important accounting policies, which have been applied consistently, is set out below:

(a) Bank deposit interest has been included on the accruals basis.

Investment income is recognised as follows: for the segregated accounts, income has been accrued as applicable; where shares are issued in lieu of income, the market value of these shares has been included in income.

(b) Grants are fully accounted for in the year the grant is approved. Payments falling due in later years are provided for as a liability on the balance sheet.

(c) Expenditure has been accounted for on the accruals basis. Costs of raising funds include investment management, custody, consultancy and a proportion of staff and trustee costs. Employee costs and trustee remuneration have been apportioned between costs of raising funds, charitable activities and governance costs, on the basis of the proportion of time spent by each employee or trustee in contributing to each category. Governance costs include audit fees, legal fees and a proportion of staff and trustee costs associated with trustee meetings, strategy, Away Days and compliance with statutory requirements. The remaining expenses of the Foundation have been apportioned on the same basis as staff costs and trustee remuneration. All expenditure is recorded inclusive of irrecoverable VAT.

(d) Pension contributions are made for all employees and recorded as they fall due. These are defined contributions paid to approved private pension schemes for each employee. Details are provided in note 7.

(e) At 1 April 2014, the Trustees valued the property of the Foundation's offices at Aria House, held on a 999 year lease from 1990, at £1,250,000, based on a chartered surveyor's valuation report. This value was recorded in the year of transition and will be held as the carrying value in future years, following the transitional provisions of FRS 102 (paragraph 35.10c) which allow the property to be valued at fair value on transition and to use that value as deemed cost going forward, with no on-going requirement to carry out further revaluations. The residual value of the leasehold property is considered to be at least equal to the carrying value and therefore no depreciation has been provided as this would be

immaterial. Annual impairment reviews are carried out. All fixed assets are held for the Foundation's charitable use.

- (f) Furniture, fittings and equipment have been depreciated to write off the cost less the estimated residual value, on a straight line basis over the expected useful economic life. The annual rate used for this purpose is 33% for computer and office equipment and 10% for other assets. A capitalisation limit has been set such that purchases of £250 and over are capitalised and items below this level are treated as an expense in the year of purchase.
- (g) Profit or loss on realisations of investments has been taken to the Expendable Endowment.
- (h) Investments have been stated at market value in accordance with SORP. Net investment gains and losses are disclosed in note 9.

Social Investments represents:

- i. £250,000 fixed-rate subordinated unsecured loan notes with Charity Bank, maturing on 30 July 2017. The loan notes are valued at purchase cost, which the Trustees believe is reasonable following regular quarterly reviews of the Bank's finances.
 - ii. A limited partnership interest with a maximum commitment of £250,000 in Shared Lives Investments L.P. to support the growth of Shared Lives provision.
- (i) Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Transactions denominated in foreign currencies are translated at rates prevailing at the transaction date. Exchange differences are taken into account in arriving at the movement of funds for the year.
 - (j) The Foundation has adopted a Spending Policy which the Trustees believe to be currently sustainable. The Total Return approach means that actual income received each year will be supplemented, if necessary, from distributable capital. It follows that the reserves policy is to retain the appropriate capital value in the investment portfolio to be able to continue to support charities over the long term.

3 Investment income

	2017 £'000	2016 £'000
Investment income from assets in the UK	3,195	3,484
Investment income from assets outside the UK	713	425
Interest on cash deposits	22	22
Total investment income	3,930	3,931

Investment income received during the year relates to investments, which are listed on recognised stock exchanges. Dividend income and interest is treated in accordance with the accounting policy 2(a) above.

4 Grants to Charities

	2017 £'000	2016 £'000
Grants awarded in the year	5,402	4,767
Total Grants to Charities (note 5)	5,402	4,767

A list of grants awarded during the year ended 31 March 2017 is shown in the Annual Report.

Grants awarded in the year:

	2017 £'000	2016 £'000
Grants paid in the year	1,610	1,920
Grants payable within one year	2,385	1,851
Grants payable after more than one year	1,407	996
Total Grants to Charities	5,402	4,767

Trustees include in the notes to the Financial Accounts, for transparency reasons, any grant made to an organisation with which a Trustee of the Foundation has a conflict of interest. In accordance with the Foundation's policy, Trustees withdraw from the room for these decisions.

In the financial year 2016/17 one incidence occurred. Hugh Raven is Chairman of the Environmental Funders Network, which received a membership grant of £2,000 in May 2016.

5 Analysis of total expenditure

	2017			2016		
	Costs of Raising Funds £'000	Charitable Activities £'000	Total £'000	Costs of Raising Funds £'000	Charitable Activities £'000	Total £'000
Investment fees	<u>641</u>		<u>641</u>	<u>594</u>	<u>-</u>	<u>594</u>
Grants to Charities (note 4)		<u>5,402</u>	<u>5,402</u>	<u>-</u>	<u>4,767</u>	<u>4,767</u>
Support costs:						
Staff costs (note 7)	48	304	352	49	309	358
Trustee costs (note 6)	8	73	81	8	70	78
Audit fees	-	11	11	-	11	11
Legal fees	-	7	7	-	2	2
Depreciation	3	30	33	1	16	17
Refurbishment costs	-	-	0	2	23	25
Monitoring & Evaluation	-	17	17	-	13	13
General expenses	<u>11</u>	<u>76</u>	<u>87</u>	<u>21</u>	<u>138</u>	<u>159</u>
	70	518	588	81	582	663
Total expenditure	<u>711</u>	<u>5,920</u>	<u>6,631</u>	<u>675</u>	<u>5,349</u>	<u>6,024</u>

Support costs include governance costs of £53,000 (2016: £54,000)

6 Trustees' remuneration

Trustees receive remuneration in accordance with the authority in the Scheme. In carrying out their duties, including visits to applicant charities, seven Trustees incurred travelling and related expenses totalling £13,480 (2016: £11,280), which have been included under Monitoring and Evaluation.

	2017 £'000	2016 £'000
Remuneration paid to Trustees during the year:		
Sarah Riddell, Chairman	14	13
Dominic Caldecott, Chairman of the Finance Committee (to 31 May 2016)	2	10
Gary Steinberg, Chairman of the Finance Committee (from 26 January 2017)	7	0
Tim Glass	10	10
Vivien Gould (to 19 January 2017)	8	10
Brian Hurwitz	10	10
Peter Kyle	10	10
Hugh Raven	10	10
Geraldine Blake	7	0
Diana Whitworth	0	3
Total remuneration	<u>78</u>	<u>76</u>
Social Security costs	3	2
Total remuneration and Social Security costs	<u>81</u>	<u>78</u>

7 Employees

	2017	2016
	£'000	£'000
Wages and salaries	287	259
Employer's National Insurance costs	32	28
Pension costs	26	27
Temporary staff	7	44
Total staff costs	<u>352</u>	<u>358</u>

The average number of employees during the year ended 31 March 2017 was 5 (2016: 5). The average full-time equivalent number of employees analysed by function was:

	2017	2016
Generating funds	0.2	0.2
Charitable activities	4.6	4.6
Total full-time equivalent staff	<u>4.8</u>	<u>4.8</u>

For each employee, the Foundation contributes to an approved private pension scheme. The total pension cost for the Foundation was £26,000 (2016: £27,000).

The numbers of employees who received emoluments (including taxable benefits in kind) in the following ranges were:

	2017	2016
	Number	Number
£70,001 - £80,000	1	-
£90,001 - £100,000	1	1

For these employees, the Foundation made contributions to their approved private pension schemes totalling £12,156 (2016: £11,976) during the year.

The Charity considers its key management personnel to comprise the Trustees, the Director and the Heads of Grants and Finance. The total remuneration (salaries and employee benefits) including employer pension contributions of the key management personnel was £328,900 (2016: £263,047). Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, including directors and senior management personnel to whom the Trustees have delegated significant authority or responsibility in the day-to-day running of the entity's affairs.

8 Tangible fixed assets

	Leasehold property £'000	Furniture, Fittings and Equipment £'000	Total £'000
Cost or valuation			
At 1 April 2016	1,250	330	1,580
Revaluation during the year	-	-	-
Purchases during year	-	3	3
Disposals during year	-	-	-
At 31 March 2017	1,250	333	1,583
Depreciation			
At 1 April 2016	-	35	35
Charge for the year	-	33	33
On disposals during year	-	-	-
At 31 March 2017	-	68	68
Net book value at 31 March 2016	1,250	295	1,545
Net book value at 31 March 2017	1,250	265	1,515

As at 1 April 2014, the leasehold property had been re-valued at £1,250,000 by Aston Rose chartered surveyors. This external valuation was made on an existing value basis and prepared in accordance with RICS Valuation Standards, published by the RICS. As stated in note 2(f), this valuation is being treated as deemed cost in accordance with the transitional provisions of FRS 102.

9 Investments

	31 March 2017	31 March 2016
	£'000	£'000
Investment assets in the UK	90,699	82,640
Investment assets outside the UK	49,618	43,229
	<hr/>	<hr/>
Total investments, excluding cash	140,317	125,869
Investment cash accounts in the UK	1,761	2,281
	<hr/>	<hr/>
Total investments at 31 March	142,079	128,150
	<hr/>	<hr/>

The historical cost of the investments (including cash) held at 31 March 2017 was £119,076,000 (31 March 2016: £120,263,000).

The movement during the year of the total investments, excluding cash, was:

	2017	2016
	£'000	£'000
At 1 April	125,869	132,019
Purchases at cost	16,983	13,889
Disposal proceeds	(19,298)	(15,611)
Net investment gains	16,763	(4,428)
	<hr/>	<hr/>
At 31 March 2017	140,317	125,869
	<hr/>	<hr/>

Investments are listed on recognised stock exchanges and valued at the middle market prices ruling at the period end. During the year, £2.0m (2016: £1.5m) was withdrawn from the investment portfolios to provide working capital.

The movement during the year of social investments was:

	2017	2016
	£'000	£'000
At 1 April	318	250
Purchases at cost	56	68
	<hr/>	<hr/>
At 31 March 2017	374	318
	<hr/>	<hr/>

Gains on revaluations and disposals of investments:

	2017	2016
	£'000	£'000
Net investment gains	16,763	(4,428)
Realised gains/(losses) on foreign currency	(409)	(83)
Total gains/(losses) on revaluations and disposals of investments	16,354	(4,511)

10 Debtors

	31 March 2017	31 March 2016
	£'000	£'000
Accrued income and prepayments	686	682
Other debtors	2	3
	688	685

11 Creditors: amounts falling due within one year

	31 March 2017	31 March 2016
	£'000	£'000
Accrued expenditure	195	175
Other creditors	15	44
Grants payable	4,697	3,875
Other taxation and social security	12	12
	4,919	4,106

Included within accrued expenditure is an amount of £2,338 (2016: £4,949) due to pension schemes.

12 Creditors: amounts falling due after more than one year

	31 March 2017	31 March 2016
	£'000	£'000
Grants payable between 1 to 2 years	1,432	1,144
	1,432	1,144

13 Financial Commitments

During the year to 31 March 2015, Trustees approved a social investment of up to £250,000 in a Fund created by Social Finance to expand the number of Shared Lives schemes in England. The first drawdown was made in April 2015. At 31 March 2017, the Foundation had provided a total of £124,000 in respect of this commitment, leaving a residual commitment of £126,000.

14 Lease Commitments

At 31 March the Foundation had total future commitments under operating leases as follows:

	31 March 2017	31 March 2016
	£'000	£'000
Within one year	1	-
Between two and five years	2	-
	<hr/> 3 <hr/>	<hr/> - <hr/>

15 Reconciliation of net income/(expenditure) to net cash inflow from operating activities

	31 March 2017	31 March 2016
	£'000	£'000
Net (expenditure)/ income for the reporting period	13,823	(6,604)
Depreciation charges	33	17
Bank interest received	(22)	(22)
Investment income	(3,908)	(3,909)
Loss/(profit) on foreign exchange	409	83
Loss/(profit) on revaluation of investments	(16,763)	4,428
(Increase)/decrease in debtors	(4)	(391)
Increase/(decrease) in creditors	1,101	1,184
Net cash provided by (used in) operating activities	(5,331)	(5,214)

Trustees, Staff and Registered Office of the Foundation

Board of Trustees at 31 March 2017

Sarah (Lady) Riddell LVO Chairman
Dominic Caldecott (until 31 May 2016)
Geraldine Blake
Tim Glass
Vivien Gould (until 19 January 2017)
Dr Brian Hurwitz MD
Peter Kyle OBE, CCMI
Hugh Raven
Gary Steinberg

The following Trustees are members of or served on Committees at 31 March 2017:

Finance & Investment Committee: Dominic Caldecott (Chairman until 31 May 2016), Vivien Gould (Chairman until 19 January 2017), Gary Steinberg (Chairman from 26 January 2017), and Tim Glass

Remuneration Committee: Sarah Riddell (Chairman), Brian Hurwitz, and Hugh Raven

Risk & Audit Committee: Hugh Raven (Chairman), Vivien Gould (until 19 January 2017), and Gary Steinberg

Members of Staff at 31 March 2017

Nicola Pollock	Director
Matthew Whittell	Head of Finance & Resources
Dorothee Irving	Head of Grants
Emma Clarke	Administrative Assistant – Grantmaking
Jo Drury	Administrative Assistant – Office & Facilities

Registered address of the Foundation

Aria House
23 Craven Street
London WC2N 5NS

Telephone: 020 7930 8566
Email address: enquiries@ellerman.org.uk
Website: www.ellerman.org.uk

Registered Charity Number 263207

Advisers to the Foundation

Auditors

Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD

Solicitors

Bates Wells & Braithwaite, 10 Queen Street, London EC4R 1BE

Investment Advisers

Stanhope Consulting, 35 Portman Square, London W1H 6LR
Portfolio Review Services, Palings, Warboys Road, Kingston on Thames, Surrey KT2 7LS

Investment Managers at 31 March 2017

Baring Asset Management (London), 155 Bishopsgate, London EC2M 3XY
Charities Property Fund, Cordea Savills, 33 Margaret Street, London W1G 0JD
Investec Wealth & Investment Limited, 30 Gresham Street, London EC2V 7QN
Newton Investment Management Limited, 160 Queen Victoria Street, London EC4V 4LA
Ruffer LLP, 80 Victoria Street, London SW1E 5JL
Smith & Williamson Investment Management LLP, 25 Moorgate, London EC2R 6AY

Bankers

Coutts & Co., 440 Strand, London WC2R 0QS
Charity Bank, Fosse House, 182 High Street, Tonbridge, Kent TN9 1BE
COIF Charities Deposit Fund, Senator House, 85 Queen Victoria Street, London EC4V 4ET

Regional Museums and Galleries Fund Advisers

Caroline Collier, Director Tate National
Virginia Tandy, Consultant

