

Lankelly Chase

The LankellyChase Foundation

**Annual report and financial statements
for the year ended 31 March 2017**

The LankellyChase Foundation is a registered company limited by guarantee number 5309739
Registered charity number 1107583

The LankellyChase Foundation

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Statutory information

The LankellyChase Foundation ('the Foundation') is a charitable company limited by guarantee and is incorporated in the United Kingdom (no. 5309739). The registered office address is Greenworks, Dog & Duck Yard, Princeton Street, London WC1R 4BH.

Legal and administrative information

The Foundation is governed by its Memorandum and Articles of Association and registered as a charity (no. 1107583). The Directors of the Charitable Company are the trustees of the charity for the purposes of charity law and throughout this report are referred to as the trustees.

The following details are for the year ended 31 March 2017 and also include changes up to the date on which the accounts were signed.

Trustees	Dame Suzi Leather (I)	Chair, resigned 26 October 2016
	Morag Burnett (A, F, I)	Chair, appointed 26 October 2016, previously Vice Chair
	Evelyn Asante-Mensah (F)	
	Oliver Batchelor (F)	
	Hilary Berg	
	Paul Cheng (I)	Retired 5 June 2017
	Martin Clarke (A, I)	
	Robert Duffy	Resigned 22 June 2016
	Jake Hayman (I)	
	Marion Janner	
	Peter Latchford (A)	
	Jane Millar	
	Darren Murinas	
	Simon Tucker (A)	
Robin Tuddenham (F)		

Co-optees	Andrea Marmolejo (I)
	Jeremy Rogers (I)

(A) indicates members of the Audit and Risk Committee
(F) indicates members of the Finance and Resources Committee
(I) indicates members of the Investment Committee

Trustees attended the Learning and Communications Committee by rotation with a minimum of four trustees at each meeting. There is no maximum number and any individual Trustee has the right to attend any Learning and Communications Committee meeting.

Staff team	Julian Corner *	Chief Executive
	Melissa Appel	Executive Assistant, from 31 May 2016
	Yasmin Belgrave	Office Assistant, from 7 November 2016
	Jessica Cordingly *	Director of Social Innovation
	Karen Crompton	Office and HR Manager
	Alice Evans *	Director, Systems Change
	Oliver French	Programme Manager
	Carrina Gaffney	Communications Manager, from 9 May 2016
	Ania Jeleniewska-Kaczmarczyk	Finance Officer
	Sara Longmuir *	Director of Finance and Investment and Company Secretary
	Duncan Maclean	Programme Manager
	Habiba Nabatu	Programme Manager
Cathy Stancer *	Director, Equalities and Rights	

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Key management personnel Although in such a small staff team every member is considered to be key, for the purposes of the Statement of Recommended Practice (SORP 2015), those team members marked * have been designated as key management personnel.

Principal office and registered office	Greenworks, Dog and Duck Yard Princeton Street London WC1R 4BH
Telephone	020 3747 9930
Website	www.lankellychase.org.uk
Company registration number	5309739
Country of registration	England and Wales
Country of incorporation	United Kingdom
Charity registration number	1107583
Auditor	Sayer Vincent LLP Invicta House 108-114 Golden Lane London EC1Y 0TL
Bankers	The Royal Bank of Scotland Group 1st Floor, Houblon House 62-63 Threadneedle Street London EC2R 8HP Lloyds TSB Bank plc Market Place Didcot Oxfordshire OX11 7LQ
Legal advisers	Bates Wells Braithwaite 10 Queen Street Place London EC4R 1BE
Investment managers	Cazenove Capital Management 12 Moorgate London EC2R 6DA CCLA Investment Management Senator House, 85 Queen Victoria Street London EC4V 4ET Ruffer LLP 80 Victoria Street London SW1E 5JL Sarasin and Partners LLP Juxon House, 100 St Paul's Churchyard London EC4M 8BU

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Report of the trustees

The trustees present their report together with the accounts of The LankellyChase Foundation for the year ended 31 March 2017. The legal and administrative information on pages 2 and 3 forms part of this report.

Introduction

This report is divided into two halves. The first section looks at what we said we would do, what we delivered, what we learnt and what we will do next year. Where this year has reinforced learning shared in the previous year's report, we have only highlighted further learning. The second section (page 19 onwards) covers how we are governed, grants allocated and our financial expenditure and management.

Our work in the year ended 31 March 2017

Our strategy was based around four key areas: People, Support, Systems, and Lankelly Chase.

Below are the four strategic objectives that guided our work in 2016/17:

People: to shape the prevailing view of disadvantage by revealing its interlocking nature, enabling people to describe themselves in their own terms and creating a litmus test for the reach and effectiveness of public systems.

Support: to promote continual improvement and innovation in the support networks available to people facing severe disadvantage.

Systems: to promote the systems conditions that help people who face severe and multiple disadvantage to be part of support networks.

Lankelly Chase: to be an organisation that lives by its values.

PEOPLE

We said we would:

- Develop Hard Edges into a series of statistical profiles looking at different groupings of mutually reinforcing disadvantages. The next profile would look at the intersection of abuse and violence, mental ill health, substance misuse and homelessness/insecure housing. This would build on the substantial evidence that abuse and violence are both critically significant in the lives of women on the margins and that mental distress and self-medication with drugs and alcohol are often associated.
- Establish the knowledge hub on ethnicity and multiple disadvantage as a high profile and successful project.
- Commission a Hard Edges report looking at severe and multiple disadvantage in Scotland.
- Build a growing network of researchers working across disciplinary boundaries with Revolving Doors Agency.
- Support smaller scale research which illuminates genuinely unknown issues or experiences (based on learning from the experience of practitioners we are funding).
- Continue to supplement quantitative profiles with qualitative research methodologies,

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such as ethnography, which offer a greater degree of control and ownership to those who are being researched.

- Support the Wave Trust to produce an evidence review of the transitions and trigger points that most affect the life course of young people at risk of severe and multiple disadvantage.
- Work on developing a different frame for profiling people that would help us make sense of complexity, intersectionality, structural issues and the things that matter to people. This would be designed to overcome the risk of helping to create additional problem-based cohorts.

What we did:

- We published a conceptual study, Women and Girls Facing Severe and Multiple Disadvantage, in October. This was carried out by Heriot Watt University and DMSS Research. Based on the findings of this work, we commissioned the same team to undertake a full statistical profile of people facing domestic and sexual violence, homelessness, substance misuse and mental ill health in England. We expect this to bring the lives of more women into view, though it will undoubtedly capture the experience of many men too. Provisionally entitled Hard Edges II: An Additional Profile of Severe and Multiple Disadvantage in England, it will be completed by late-2017.
- We appointed a joint team from Queen Mary's University of London, the University of Manchester and Words of Colour communications agency to set up and run a collaborative centre on ethnic inequality, mental illness and multiple disadvantage over five years. The team we appointed brought a highly creative and participatory approach to the brief, which was to collate, synthesise, interpret and communicate data on ethnic inequality in mental health and other interrelated areas over time. The work will be rooted in two localities. The centre will be launched in the autumn of 2017.
- We commissioned Professors Suzanne Fitzpatrick and Glen Bramley and their team at Heriot-Watt University to undertake Hard Edges Scotland, drawing on the methods developed in both the first Hard Edges report and Hard Edges II. The report will be published in 2018.
- The Research Network, convened by Revolving Doors, grew in membership and held well-attended seminars focusing on health and on hidden experiences of multiple disadvantage. A literature review exploring the application of peer research with populations facing severe and multiple disadvantage was published.
- We continued to work with the LGBT Foundation in Manchester on their research exploring the way severe and multiple disadvantage is experienced by LGBT people. They drew on Revolving Doors' literature review to increase the participatory element of the work. This will be published by the end of 2017.
- The National Children's Bureau's research on children missing from education, which we supported, was published in March 2017.
- We continued our partnership with the Institute of Education on an action-research study examining the methods that can be used to undertake qualitative, participatory, rights-based research with children (some as young as 8) facing severe disadvantage.
- A qualitative study of women involved in street-based prostitution in Hull became, at their insistence, a book written by the women themselves. Emma Crick at Hull Lighthouse carefully stewarded this process. The book was launched as part of Hull City of Culture in April 2017.
- WAVE Trust is in the process of refining their analysis of how systems respond to disadvantage and difficult transitions in childhood and adolescence. Their report will be published later in 2017.

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- We investigated the Capabilities Approach as one frame for the way we understand severe and multiple disadvantage. The conceptual report on women and girls noted above also considered its potential alongside other frames such as rights and risk factors.

What we learnt:

- Where you look determines who you find - the decisions we make (as foundations, as researchers and as practitioners) about the way we define multiple disadvantage can inadvertently exclude people whose experience is different. There is a need to continually ask 'who is not here?'
- The DMSS/Heriot-Watt conceptual work on understanding multiple disadvantage in the lives of women and girls confirmed the central importance of violence and abuse, mental ill health and gendered expectations. The implication for developing a statistical profile was that a wider range of factors (than those included in Hard Edges) needed to be included. This brought challenges, not least because service use data in the key domains is limited. Consequently, when designing the methodology for Hard Edges II, there was a need to make use of data from surveys as well as from services to build a picture of severe and multiple disadvantage which includes the experiences of more girls and women.
- The LGBT Foundation research has begun to highlight new issues and combinations of issues that don't tend to be discussed in the dominant discourse around multiple disadvantage or 'complex needs'. An emerging theme is the cumulative impact of overt discrimination and prejudice on people.
- We still don't yet know very much about the nature and extent of the relationship between ethnicity and multiple disadvantage, and very little about the intersection of this with other things like gender and class. What we do know challenges some of our developing organisational thinking such as the desirability of devolved decision making. We know that points in systems where there is discretion are also the points where discrimination happens.
- We learnt more about the potential of peer and participatory research methodologies to shift power and blur the boundaries between 'them' and 'us' but also about the complex nature of this kind of work. Some 'gulfs of experience', it seems, are very hard to bridge. *"Organisations themselves need to shift and change attitudes and processes in order to be more inclusive.... Professional researchers must be prepared for their assumptions and deeply held beliefs to be challenged; for their favoured explanatory theories to be countered".¹*
- However, we learnt that with support embodying the right values, even quite young children can take part. The Institute of Education research showed us that children are active in thinking about their own and their peers' experiences of disadvantage, can be effective researchers and are able to draw on their own experiences to deepen their research into disadvantage.
- The work in Hull described in graphic and brutally honest terms the extreme abuse, violence and resultant trauma women involved in street based prostitution experience. It also provided a case study of the power that can be unleashed when people are allowed to control their own story and reverse the objectification and exclusion they usually experience.
- The Capabilities Approach, with its clear focus on people's real freedom to be and do the things they value rather than on collections of needs identified by systems, has great potential as a frame for thinking about extreme disadvantage.
- However, we don't think there is one right answer to the question of how we define and

¹ <http://www.revolving-doors.org.uk/file/1849/download?token=Yi0tjhmo>

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measure severe and multiple disadvantage. Settling on any one definition runs the risk of excluding people who don't fit. We want to model and to encourage a more enquiring, curious, inclusive and open culture of engagement with a question that is both inherently complex and part of a complex dynamic.

What we will do:

- We will support the team who are establishing the collaborative centre on ethnic inequality, mental illness and multiple disadvantage as it is launched and the work gets underway. We will make sure we as an organisation, our partners and others benefit from the new learning and insight which will emerge.
- We will focus on communications and on making the most of the rich content from the suite of projects coming to fruition over the year. This will allow us to build out from the first Hard Edges report and present a developing, diversified picture of how extreme disadvantage is experienced in the UK today. This will inform our own work around practice and systems change and will be of use to our partner organisations and to others in our wider networks.
- This work will feed into a multi-layered process of inquiry into the way we and others answer the question of 'who faces severe and multiple disadvantage' which we will shape over the coming year. This will snap-shot what we collectively know now, explore how to build on that in ways which are non-reductive, inclusive, intersectional and rooted in the experience of people themselves, and look at the social construction of knowledge about disadvantage and what that means for the actions of systems. This will be an open inquiry with an invitation to our friends and partners to get involved.

SUPPORT

We said we would:

Support innovation and developing practice models

- Implement more learning journeys and learning exchanges for individuals with new ideas.
- Continue to review and revise our processes for seeking and supporting social innovators, including formalising relationships with skilled associates and with other funders.
- Get involved in work that supports specific sectors, such as the BAME community sector, and build bridges across to our own objectives. For example, continuing to work with the Big Lottery Fund to establish the funder alliance on ethnicity and social justice.
- Continue to alter our internal processes to improve how we seek and support ideas developed by people with lived experience and those from other underrepresented communities.
- Work to capture our experience of seeking, supporting and spreading ideas from people with lived experience of disadvantage to inform other funders' methodologies.

Build a network of pioneering practice

- Develop a three-year strategy for the Promoting Change Network (PCN), which will clarify the purpose of future residentials as well as identifying how we can support the network between residentials..
- Continue to host events and support others to form collaborations.

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- Build a picture of what effective support looks like by supporting frontline workers to share their own practice, learn from one another and explore how to make their work even more effective.
- Set up a network of people and organisations that can support our partners with areas such as business planning, communications, research and evaluation, and systems thinking (our 'associates').

Evaluate the practice

- Develop and deploy learning methodologies that can capture the full value of the innovative practice we fund. .
- Work with our partners to create a brief for a learning framework for Lankelly Chase and all of our funded work that reflects and tests our new theory of change.
- Implement the learning framework with contracted partners.

What we did:

Supporting innovation and developing practice models

- We developed an approach for supporting social innovations looking to make or to feed into systemic change. This approach looks to build skills and mindsets at the individual, organisational and system levels around three core areas: the theory of change, leading that change, and learning and adapting.
- We have come to this by running a dozen social innovation pilots across the UK, trialing different support models and asking what it would take to create a funding environment that supports ideas arising from people in underrepresented communities and those facing severe and multiple disadvantage. Our learning here has been collated and analysed by our learning partner Nusrat Faizullah.
- The social innovation pilots include a variety of practice interventions, but all have been underpinned by a common set of behaviours including mutual accountability, building on strengths and assets, open and honest conversations and learning and adaptation.
- We have played a role in supporting the development of collaborations with and around some of the innovations. An example of this has been building a group of funders and support bodies around Transforming Choice CIC, an alcohol rehabilitation centre in Liverpool. Together with Locality, the Liverpool Public Services Lab and three other charitable trusts we have been working together to understand how we can collectively change the funding ecosystem in the region to be open to funding and learning from disruptive innovation.
- Other pilots have involved more one-to-one support. For example, we have set up and facilitated regular learning sessions with Expert Link and Mayday Trust to allow space for reflection which has led in time to the adaptation of these organisations' strategies in the face of unprecedented change in the sectors in which they operate.
- Our learning across all this work has been informed by and in turn now informs all of our support for those trying to make change, whatever their background, experience and circumstances. We are now sharing what we have learned with other funders and social change educators including UnLtd, Nesta and the Big Lottery Fund.
- As an organisation and staff team we have changed our processes and also our behaviours, modelling the change we wish to see in the world. This is detailed below in the 'Lankelly Chase' section of this report, and includes devolved decision making, reflective practice and individual and team coaching training.

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Building a network of pioneering practice

- Since March 2016 we have not been adding new grantee partners to the PCN but we have been building its capacity, working with partners more intensively and building the links between them.
- We surveyed people who were part of the PCN to understand their view of it. Benefits they highlighted included the opportunity to meet people outside of their issue-based networks and the space and time for reflection. We have been exploring different formats for PCN engagement, such as frontline worker action learning sets: bringing together frontline staff from across our PCN partners to share notes on changing practice and systems and to support each other.
- We have opened up more opportunities for PCN members and our staff team to learn together. This has included over 40 of our partners from across the network coming together with the Lankelly Chase team to be trained in Co-Resolve conflict resolution methodology, equipping them and us for the inevitable conflicts that arise as we strive for systemic change. As well as this, partners from Leeds GATE, Wandsworth Community Empowerment Network and Unlimited Potential in Salford travelled together with a Lankelly Chase colleague to attend the Social Innovation Exchange summer school in Bogota, Colombia, on innovation in post-conflict societies.
- We continue to provide and subsidise more specialised training opportunities as well, including organisational and relationship system coaching.
- We have developed our network of trusted associates who can increase our support capacity and bring in specialisms that we lack. These include individuals and organisations who have previously received grants from Lankelly Chase and remain in our network, such as Clare Wightman from Coventry Grapevine, and agencies offering a range of core skills, such as Locality.
- We have organised peer review sessions on pioneering practice models in the PCN. For example, we brought together a collection of practitioners and researchers as well as other funders to review School and Family Works' theory of change, produced during our funding partnership.
- We continue to support PCN partners hosting their own convenings, such as encouraging and funding our partner Camerados to host a conversation on relationships in tough times at Marmalade, the fringe festival to the Skoll World Forum on social entrepreneurship.
- As well as sharing practice within our network, we are sharing practice lessons more broadly. We are working with larger charities such as the Children's Society so that learning from our partners is drawn into their strategic review. By connecting smaller, innovative practice projects to larger charities such as this, partnerships emerge. We introduced MAC-UK to the Children's Society and they are now exploring action learning sets in Birmingham, bringing together practitioners from across the city to learn about the co-production of mental health services with young people.
- This work will all feed into the wider strategy for how we engage our networks and how we build the field of systems changers, as detailed below in the Systems section.

Evaluating the practice

- We continue to work closely with our PCN partners to understand the purpose of evaluation for them. For example, to learn and adapt, to bring in more funding or to create an evidence base for policy change. In doing this, we have developed our own understanding of evaluation methodologies and have increasingly connected our partners to different evaluators to help them develop their own frameworks.

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- We continue to observe that many widely-accepted evaluation methodologies preferred by purchasers of services, such as randomised control trials, are inappropriate to the iterative approaches needed in this field, which are rooted in an understanding of complexity. We observe that what is commonly valued by purchasers of services, and therefore which shapes the evaluation is not what is valued by the users of those services. This means not all voices are heard and not all value understood. We joined Bridging Health and Community, Guy's and St Thomas' Charity and C2 Connecting Communities at Exeter University amongst others to explore these issues.
- Our partnership with the Dartington Social Research Unit (SRU) continues as we build the field of evidence on the quality and characteristics of relationships between "helper and helped". The qualitative part of this study has become transatlantic with the SRU partnering with the Centre for the Study of Social Policy in the US to explore the field of relational practice there.

What we learnt

- There is no magic methodology or innovation that will solve the complex issues that arise when someone faces severe disadvantage. Each person experiencing extreme disadvantage is different and will respond differently to support. No model or intervention is the perfect answer. But what effective interventions share a set of behaviours underpinning them. These behaviours enable people facing severe disadvantage to make change in their lives. So, it is these behaviours we wish to promote, not any particular method of support.
- Equally, there is no magic evaluation methodology that will be accepted by all practitioners and commissioners of services, especially as these actors at different levels of the system seem to value different elements of the practice. There is a need for wider conversations about the purpose of evaluation, asking not simply "what works?" but "when? With whom? In what context? And what should we do with this understanding?"
- We've also learned through our social innovation pilots that there is no magic methodology by which innovators and innovations can be supported. We have tried a range of interventions as detailed above. These different approaches have different effects on different people. Where these interventions seem to be successful, it appears not to be because of any particular method, but because of the behaviours informing the methods.
- When we offer support to innovators, we track their development in three areas: the theory of change, leading that change, and learning and adapting. There are many skills innovators need to learn to be able to do these well, but before they can develop these, they need to have the right mindset. Our support approaches are increasingly focusing on mindset development, which is slow and hard. We've noticed that the more disadvantage the innovator has faced, the less opportunity they have had to develop these mindsets. This in turn compounds the disadvantage they face. This is a broad generalisation, but sadly often appears to hold true. It is crucial that we and other funders and supporters of innovators recognise this and modify our support approaches accordingly.
- Traditional command and control organisational models tend to limit the behaviours which we wish to promote. Organisations with structures that allow space for relationships to flourish, and that are focused on learning rather than just project delivery, appear to allow the people within them to work in far more agile, creative and human ways.. This appears to be true on the frontline, amongst organisations providing support to people currently facing extreme disadvantages, and at the level of funder and commissioner.

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- The financial models of organisations also are crucially important. Social innovations structured as social enterprises or social businesses find it extremely difficult to make systemic change because they need to trade. They need to tap into a current demand for their product. It is very hard to do this if you are “selling systems change”. There is very limited demand to pay for whole scale change. Charitable structures which can take on grant funding feel more appropriate for disruptive, systemic innovations as they can focus on the necessary research and development. But we need to be realistic about how long this can take. The accepted cycles of a couple of years’ seed funding leading to a venture that is ready to scale is utterly inappropriate in a complex field.

What we will do:

- We will share our learning from this work more broadly. We will continue to work with our learning partner Nusrat Faizullah to produce a report to be shared on our website and through blogs and other content.
- We will also share what partners are learning, publishing the Dartington Social Research Unit inquiry into relational approaches later this year.
- We will then convene PCN partners, associates and other funders to analyse and test these reflections and co-produce the next stage of our inquiry on ‘Support’ together.
- This inquiry will focus on at least three questions:
 1. What structures and types of leadership are needed in organisations to enable people facing severe and multiple disadvantage to access effective support?
 2. What methodologies of funding and support enable organisations to operate effectively in the field of severe and multiple disadvantage?
 3. What does it take to spark new approaches that embody systems behaviours?

SYSTEMS

We said we would:

Support places to build the right systems conditions

- Publish the learning from our development work on place as well as the historical literature review.
- Start work in two places to develop our understanding of the different roles we could play and the methodologies and processes that should guide our work.
- Support the work of other foundations, beginning with the place-based work of the Lloyds TSB Foundation for Scotland.
- Continue to support grant-funded partners taking place-based approaches.
- Commission a learning partner who will capture the learning and support our processes of reflection.

Build the field

- Deliver a SystemsChangers programme in the South East and in one of the two areas where we are active protagonists in place-based work.
- Develop a way to build an alumni network for SystemsChangers that fits into our wider PCN work.

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- Identify ways to build the capacity of individuals and organisations to think systemically such as through training and building a suite of tools that are freely available.

Test different change methodologies

- Continue to support funded partner organisations to test a range of change methodologies.
- Ensure that there is an explicit focus on diversity along lines of gender and ethnicity within the portfolio of change methodologies.
- Understand how to support innovative practice to influence wider systems, such as commissioning.

Share the learning/build a vision of a constantly transforming system

- Continue to support grant funded partners who are influencing policy, including working with them to build a shared vision of the change we want to see.
- Build a network of national observers to challenge and support us as we develop our place based approaches.
- Build a network of advocates and supporters around the collaborative centre on ethnicity, mental illness and multiple disadvantage.
- Work with our partners to create a brief for a learning framework for Lankelly Chase and all of our funded work that reflects and tests our new theory of change.
- Implement the learning framework with contracted partners.

What we did:

Supporting places to build the right systems conditions

- We will publish the historical review of place-based approaches in June 2017.
- We are approaching our work on place through trusted intermediaries who are often previous grant funded partners who have tested out different methodologies for change. This group of intermediaries includes Collaborate, Good with Numbers, Locality, AdviceUK and Foundation for Families. We are also investing in supporting them to work together as a system.
- We are working as active protagonists in place in Barrow in Furness in Cumbria and Barking and Dagenham in London, as well as exploring new areas in the North East of England. Clare Hyde at the Foundation for Families is our intermediary alongside Love Barrow Families in Barrow. In Barking and Dagenham, Collaborate are the lead intermediary. We've done a lot of work to understand the specific role we felt we could usefully play in place and set our overall purpose as **to support places to build the right systems conditions so that people facing severe social disadvantages can be part of the networks of support on which most of us rely.**
- In Scotland, we have supported Lloyds TSB Foundation's focus on place. The programme will be delivered in partnership with communities in South Lanarkshire, North Lanarkshire, East Ayrshire, North Ayrshire, Fife, Falkirk, East Renfrewshire, Inverclyde and West Dunbartonshire.
- We continue to support the North Camden Zone through the Winch, Wandsworth Community Empowerment Network, Together for Mental Wellbeing being in York and Black Thrive in Lambeth facilitated by Social Finance.
- We have agreed a learning contract with Newcastle University Business School. They will be ensuring that the learning process is designed to be as beneficial and useful to the local areas as possible.

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Building the field

- We have completed the second cohort of the SystemsChangers programme, delivered by the PointPeople and Snook. It was launched at a parliamentary event hosted by Steve Reed MP in March. We are sharing the learning widely and starting to develop a plan for what SystemsChangers will look like over the next five years.
- We have started to populate our website with free tools from the SystemsChangers programme.
- We have supported a number of SystemsChangers participants to publish blogs on the Huffington Post, Medium and the Guardian. We have also started experimenting with frontline workers taking over our Twitter account on Fridays.
- We have increasingly started to build international partnerships to help us find examples, tools, and practice around systems change to bring back to the UK. We have done this in two key ways - participating in the Social Innovation Exchange Funders Node which included a retreat in Canada and through our support for Forum for the Future as they develop the School for Systems Change.

Testing different change methodologies

- We have funded New Philanthropy Capital to understand how a theory of change methodology can support systems thinking. This will look at whether linear models of capturing change can be adapted to contend with complexity.
- We supported Collaborate to identify and understand the infrastructure required for change to flourish in place. Building Collaborative Places: Infrastructure for System Change was published in January and has been well received.
- We supported CLES and other partners to hold the “elephant series” in Manchester (based on the phrase ‘elephant in the room’): an approach designed to understand how senior leaders from statutory and voluntary agencies can work in partnership with people with lived experience.
- We have developing a partnership with the Public Law Project to explore whether they can apply legal remedies to systemic issues identified by our partners.
- We have been continuing to work through funder alliances on ethnicity and social justice (playing a leading role along with the Big Lottery Fund and Barrow Cadbury Trust) and women and severe and multiple disadvantage (sitting on the steering group for the Corston Independent Funder Coalition, now working across a range of issues beyond its starting point of criminal justice).

Sharing the learning/building a vision of a constantly transforming system

- We continued to work with agencies such as Agenda, Family Rights Group and Revolving Doors as well as coalitions such as MEAM who seek to influence practice and policy at the national level.
- As our place work took longer than we expected to establish we haven’t set up a network of national observers yet.
- We commissioned Newcastle University Business School to work alongside the place and systems work to embed learning into the work of place. This will form one element of our organisational learning strategy. The partnership will help us to understand if our approach in place is helpful and useful and whether the systems behaviours we have identified remain relevant, as well as fleshing them out. It will support a culture of adaptive and creative learning locally and within Lankelly Chase, and will help us to understand how the narrative of place is changing.

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What we learned:

- As we collaborate with others and form partnerships or coalitions of work, spending time investing in the way we work with each other is as important as the content of the work. We have encountered challenges with some partners because we haven't focused enough on ensuring our priorities, core assumptions and ways of working are aligned. We are now being very clear about our expectations and creating space for others to surface their expectations - and will keep this as a live inquiry.
- People need to come along on the journey of change to feel able to make the changes required. A lot of what we are funding is fairly counter cultural to public services structures, processes and modes of working. Whilst there is a desire for change, it is also very difficult for people who haven't experienced and felt the potential for a different way of working to adopt new approaches.
- This can understandably result in a tension between those seeking to promote new models and those wanting to conserve the current model. This can result in people feeling isolated, frustrated and angry. Furthermore, those people working within welfare systems can feel that their previous and existing operating model is being called into question at the very time they feel under siege because of spending cuts.
- There is a tension between the desire for immediate action and change and the need to understand, reveal and reflect on what is currently happening. Our public systems and the funding of voluntary agencies is heavily weighted towards the former which often means there is a rush to a solution before we have truly understood what needs to change - thereby repeating old patterns. Lankelly Chase can add value by supporting and nurturing the latter, but sufficient milestones or staging posts are needed so that people feel they are "achieving" something.
- The SystemsChangers programme is as much about a mindset shift, as it is about giving people skills and tools through which to identify insights about the system. It focused as much on the emotional journey of the participants as those skills and tools and invested time enabling frontline workers to feel they had a right to have their voice heard. The programme gave them a different label, from "frontline worker" to "system changer", which freed their voice, thoughts and enabled their creativity to flourish.
- Supporting the voice of frontline workers also enables the voice of the person with lived experience to be heard. This is partly because it empowers and emboldens the frontline worker who in turn is able to empower and embolden the individuals they are working with. It is also because there are many frontline workers who have had their own life experiences of severe and multiple disadvantage.
- We had hoped to have more people on the programme from BAME-led organisations, but we weren't as successful as we would have liked. This is for a number of reasons but we suspect a core one is because of the particular challenges around capacity and funding facing organisations working in the BAME sector.
- Research that identifies change methodologies, e.g. Collaborate's recent work, is well received because it provides opportunities for others to reflect, learn and question their own practice. The field of system change remains emergent, with no one right way to do things, and with few solid examples of successful system-wide change. Therefore, we need to continue to support agencies to test out different methodologies.
- Deep rooted issues and fears such as class, education, privilege, appearing vulnerable and not feeling able to admit that you don't know the answer, can be blocks to change. Finding ways to discuss these issues safely and constructively is central in testing out change methodologies.
- Working in a systemic way requires as much work on oneself as an individual to understand one's mental models, world view and own assumptions in order to be able

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to think systemically and understand multiple priorities. In sectors designed to “serve” others this can feel self-indulgent and a distraction from the urgent tasks at hand.

- It helps to have external learning partners who provide the space for reflection and challenge, and who help to stretch and critique our approach.

What we will do:

We are breaking down our work in this area into two parts:

Support places to build the system conditions

- We will work with intermediaries, places and Newcastle University Business School to understand how best we can support places to build the system conditions. In particular, to answer the following sub-questions:
 - Is our approach helpful and useful?
 - What are the skills/methodologies/processes required to support areas to develop the right systems conditions?
 - How is the narrative of the place changing?
- We will also create opportunities for others to learn with us, as well as for us to learn from others.

Build the field

- This will involve growing the number of systems practitioners working in fields related to severe and multiple disadvantage, spreading the learning from different pieces of work and programmes we fund, and working with other funders to share our learning.

We will also seek to understand what it takes to build aspects of support systems that are underpowered due to existing inequalities e.g. gender and ethnicity. Whilst the above two areas form the priority for the coming year we will keep a focus on testing different change methodologies and sharing the learning.

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We said we would:

Strategic framework, theory of change and a five year forward look

- Publish our theory of change in a range of accessible formats.
- Develop different mechanisms that will enable us to identify the people, organisations and ideas that might most powerfully contribute to tackling severe and multiple disadvantage. We think this is likely to include building intelligence networks, undertaking more exploratory visits, and actively seeking people in underrepresented areas. We expect that the time released from processing large numbers of unsuccessful applications can be re-invested in more proactive and outward facing activity.
- Prioritise and consolidate the grant relationships we currently have in order to understand how best to support and work alongside our external partners.
- Understand how to manage demand for input from external partners versus our capacity to respond.

Model the change

- Establish a Learning and Communications Committee. By delegating grant decision making to the Executive Committee, we no longer required a Grants Committee. We will therefore shift governance attention from grant making inputs to learning and

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communication outputs and outcomes. Its first action will be to develop and implement learning and communication strategies.

- Establish a Finance and Resources Committee as a scrutiny mechanism to oversee resource allocation against our strategic framework. This replaces the Administration Committee, which focused mainly on human resource decisions.
- Continually review our governance structures to ensure that they remain fit for purpose and provide the best opportunity to hold the executive team accountable and assesses progress against the strategic framework.

What we did:

Strategic framework, theory of change and five-year vision.

- We continued to work on a new iteration of our theory of change.
- We presented the theory of change to the Centre for the Study of Social Policy in Washington DC, the Creating Health Collaborative (made up of leading social policy thinkers/practitioners from across North America) in New York, the Social Innovation Exchange in Canada, and a team from FSG, the leading philanthropy consultants in the US.
- We identified positive common behaviours that exist among the pioneering practitioners with whom we work, which led us to hypothesise that it is the presence of these system behaviours, more than any specific methodology, that seemed to create 'good outcomes' for people facing multiple disadvantages.
- We have begun exploring creative ways to publish our theory of change in order to engage the widest range of audience.

Modelling the change

- We established a Learning and Communications Committee and a Finance and Resources Committee.
- We began the process of designing a five-year budget and work plan in order to work to a longer-term strategic outlook and avoid the traps of short-term annual budgeting cycles.
- We introduced methods to help the Executive make delegated decisions on grants and to reflect on working processes, through Co-Resolve training, systems coaching and reflective practice tools.
- We opened ourselves up to external scrutiny by inviting others to attend our internal executive committee, to shadow members of staff and interview us.

Developing methodologies for reaching and engaging the most promising partners

- We have not yet started systematically seeking new partners because we have spent the last year consolidating our work with current partners.
- We have been starting to explore methodologies to reach new partners, such as participatory grant-making, attending the Ariadne Grant Skills day conference on this and other methods.

Communications

- We commissioned Stakeholder Insight research in order to understand how we are perceived. The survey interviewed around 50 stakeholders, some of whom we know well and others who we have only met a handful of times.

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- We have been investigating CRM models to help capture our learning.
- We hosted Twitter take-over days, handing over the platform to frontline workers from the SystemsChangers programme.
- We have continued to participate and present at a wide range of events to share our learning and activity.
- Additionally, we are hosting more events ourselves, including for frontline workers and to share particular pieces of research, as well as supporting events at Marmalade, Unusual Suspects London, and the tackling multiple needs summit in partnership with MEAM, Revolving Doors Agency, Big Lottery and Calouste Gulbenkian.

What we have learnt:

- If we are seeking to support and catalyse change, then we need to understand and model that change ourselves.
- Our sub-committees can provide a space for deeper reflection on our work. The Learning and Communications Committee in particular has been a place to test out different approaches to governance and strategic input. However, this space to reflect needs to be carefully balanced with scrutiny and challenge.
- The devolution of grant decision making, shifting scrutiny from grant decisions to learning and communications, has meant that we have had to spend the year deeply reflecting on ourselves as a system, which has in turn helped us begin to model the change we want to see.
- This is most apparent in needing to adapt the way we agreed allocation of resources, in particular for grants, within the executive team to ensure that we were modelling effective system behaviours; for example, ensuring that equality of voice was heard, or that we all saw ourselves as part of an interconnected whole. We are learning how to skillfully manage conflict and disagreement through system coaching and Co-Resolve.
- Having external people sit in on internal meetings and work shadow us have been helpful mechanisms to provide greater external scrutiny and help us to live the value of being open, including one person who used us as a case study for her Masters dissertation.
- Learning and communications are central to our work. We are a small funder relative to the scale and scope of change suggested by learning in our funded projects. Our resources will never meet the challenge. Therefore, whilst we have to focus and prioritise the allocation of our resources, opening up avenues for people to journey with us and for us to journey with them through learning and communications becomes ever more important.
- There is a large appetite for learning from the projects and work we fund, but we don't have the internal capacity to meet this appetite. This requires us to find different and innovative ways to enable a range of players to share the learning - rather than us broadcasting.
- From the stakeholder insight work we commissioned we have understood that the role that we play is valued by people in the sector, and they would like to see us doing more of this. They also would like to see us speaking out more, alongside creating the platforms for others to speak out.
- People were clear about our focus on severe and multiple disadvantage, our focus on systems change and why we think change is required, but wanted greater clarity on how we might influence change.
- The quality of staff is admired and people like that we are modelling the behaviour that we want to see in others.

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- People want us to be more open and transparent about our grant making process.
- People felt our language had become more accessible but that it was still a bit abstract and academic at times and they struggled to define us as an organisation type (e.g. funder, change-maker, think tank)

What we will do:

- We will embark on a systems coaching programme for the team, to enable us to develop our understanding of our working practices as a system and develop our ways of working.
- We will continue onto the next phase of the Co-Resolve and Deep Democracy training and embed reflective practice tools into our practice.
- We will complete the design and publication of the next iteration of our theory of change, in line with audience segmentation research and the Communications Strategy
- We will finalise our Communications Strategy.

Investing responsibly

The Foundation is committed to investing its assets in accordance with the Principles for Responsible Investment (PRI) and expects its fund managers to adhere to the same code.

We said we would:

- Work with our investment managers to monitor the financial impact of our new ethical policy.
- Review carefully that part of the portfolio to which our ethical policy cannot be applied.
- Continue to join ShareAction's campaigns engaging with the companies in which we invest, or might want to invest.

What we did:

- We reviewed our investment managers' implementation of our ethical policy, with an initial 98.7% of our investments being compliant with the policy by 30 June 2016. Where investments breached the policy, the managers provided explanations and suggestions for next steps. The amount of the managed portfolio that was invested in accordance with the policy was increased to 99.6% by the year end.
- We joined ShareAction's campaigns on engagement to combat antibiotic resistance, engagement with food companies about the sustainability of their protein supply chains, analysis of the PRI responses of our asset managers, 30% Club engagement for increased representation of women on company boards, engagement with ministers for action by the UK government to tackle climate change, engagement with the Investment Association about encouraging their asset manager members to support the Sustainable Development Goals, and continued support of the Living Wage campaign.

What we learnt:

- We are following a process to review and improve the application of our ethical policy and at the same time are reviewing the steps to become more ethical about the ways in which we invest.
- We value the support offered by our networks especially ShareAction and the Charities Responsible Investment Network to constantly improve how we invest and the impact

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that we have with our investments.

What we will do:

- As part of our investment strategy review, we will review and set our ethical policy and priorities for the next 3 to 5 years.
- We will continue to exert influence where we can, primarily by joining ShareAction's campaigns to engage with the companies in which we invest, or might want to invest.

THE LEGAL REQUIREMENTS

The objects of the Foundation

The Foundation's objects are to promote any charitable purposes under the law of England and Wales. The trustees define the policies that underpin the Foundation's programmes and have agreed the following vision and mission statement. We want our values to communicate our passion and inform our everyday relationships, belief systems and attitudes across the delivery of our work.

Vision

A society where everyone is supported to live a fulfilling life.

Aim

To bring about lasting change in the lives of people who are currently most disadvantaged in our society.

Goal

To ensure that people facing severe and multiple disadvantages can participate fully in networks of support.

Values

Determined: we are passionate about social change, believing that real change takes tenacity, kindness and commitment. We work with humility, knowing that there are no simple answers.

Open: we are always open to new ideas and evidence, sharing whatever we learn. We build relationships based on respect, kinship and shared humanity.

Reflective: we challenge assumptions to find what really works. We seek continual feedback as a powerful learning tool.

History

The LankellyChase Foundation is the amalgamation of two grant-making trusts, the Lankelly Foundation and the Chase Charity.

The Chase Charity was established on 18 May 1962 and the Lankelly Foundation on 18 March 1968. On 9 December 2004, the two trustee bodies amalgamated the trusts and the new LankellyChase Foundation was incorporated.

Structure, governance and management

The Board of Trustees administers the Foundation. The Board appoints trustees who then serve for four years, after which they may be re-appointed to serve one further term of up to

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four years. In exceptional circumstances a trustee may, if agreed unanimously by the Board, be asked to serve an additional four-year term. The Chair is appointed by the trustees through external competition and serves for a maximum of two 3-year terms.

Periodically the Board reviews the range of skills among trustees and may recruit new trustees to fill any gaps in the skillset of the board. New trustees are recruited through external competition. Appointments are made based on the skills that the Board decides are required to manage the Foundation and develop its work.

An induction programme is generally arranged for new trustees. Involvement in external training (such as that offered by the Association of Charitable Foundations) is encouraged.

The full trustee board meets three times a year to manage the Foundation.

The day-to-day administration continues to be delegated to the Chief Executive who is supported by a staff team.

The Board of Trustees has established four sub-committees (all of which meet three times a year):

- The Investment Committee to oversee the management of the Foundation's assets
- The Audit and Risk Committee to oversee the main risk and audit requirements
- The Finance and Resources Committee to monitor and review budgets and expenditure, and human resources
- The Learning and Communications Committee to establish and oversee the learning and communications strategies.

Risk management

The trustees are responsible for establishing and monitoring Lankelly Chase's internal control systems. The risk register is reviewed by the audit and risk committee and the whole board reviews the major strategic and operational risks at least annually. Trustees are satisfied that the system of internal controls currently in place is adequate, while recognising that it is designed to manage rather than eliminate risk. Internal controls are reviewed as part of the day-to-day management processes within the Foundation.

The trustees consider that the principal risk to Lankelly Chase is that it does not fulfil its core purpose to tackle severe and multiple disadvantage. In order to mitigate this the executive and trustee board review our theory of change, strategy, governance and work practices regularly and seek feedback on our effectiveness through an independent grantee perception survey. We also accept that the projects with which we work might involve more risk than other funders might be comfortable with. However, we have management processes in place to manage those risks where possible and to learn from failures as well as successes.

Our ability to fulfil our purpose is subject to the performance of our investments and therefore the unpredictability of the financial markets. To mitigate this risk the trustees work with four investment management firms and review asset allocation and fund performance on a regular basis. This year the board engaged a firm of investment consultants to provide support for a strategic investment review. This process combines a review of spending policy and risk appetite, budgeting over a longer time period and a review of the implications for the longevity of reserves of different asset allocation approaches. The review will be completed and resultant decisions implemented after the balance sheet date.

Public benefit requirement

The trustees aim to meet their public benefit responsibilities, as laid out in Section 17 of the Charities Act 2011, by using the Foundation's resources to support agencies that seek to enable some of the most disadvantaged people in our society to lead full and independent

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lives.

Review of grant activity

In 2016/17 grant proposals were reviewed and approved by the Executive Committee. The Executive Committee is held monthly and is chaired by the Chief Executive with most of the team in attendance, depending on other commitments.

The purpose of the Executive Committee is to:

- Oversee the activity set out in Lankelly Chase's Operational Plan, ensuring that it is:
 - Moving Lankelly Chase towards its goal
 - Keeping to timescales
 - Working within budget
 - Identifying and managing the main risks, and where appropriate escalating risks to the Board.
- Approve individual items of spend below £300,000. Items over £300,000 which have not been pre-approved in the annual budget are brought to the full board for review, as are any grants considered by the Executive Committee to be unusual or high-risk.

Grants were awarded in the year as follows:

Organisation name	Grant amount £	Strategic area	Description
Advice UK	133,265	Systems	Systems change work using the Vanguard method and integrate learning into the Promoting Change Network
Arts at the Old Fire Station	10,185	Support	To support the Marmalade 2017 festival
BAC-IN CIC	35,620	Support	The development phase of an action research and practice project which examines the key elements of a culturally specific service model working with BAME people facing multiple disadvantage, and explores the real and potential influence of such specialist practice on mainstream systems
The Barrow Cadbury Trust	10,000	People	To continue to support joint work between funders and race equality organisations to discuss practice and priority areas for action
Birmingham Community Healthcare NHS Foundation Trust	22,305	Systems	To cover the costs for a school nurse 2 days per week and an assistant nurse for 1 day per week to deliver work outside their service's commission outcomes, providing operational support to the Pathfinder project
Brighton Oasis Project	3,000	Systems	Systems Changers Programme: How can the insight of frontline workers influence systems change?
Camerados CIC	162,257	Support	To support core team salaries and project funding for the rapid micro-business programmes
Centre for Criminal Appeals	5,250	Systems	Evaluation costs for ongoing strategic litigation project challenging inappropriate imprisonment of female offenders.

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Organisation name	Grant amount £	Strategic area	Description
Centre for Local Economic Strategies Limited/CLES	44,155	Systems	To facilitate events bringing together those with lived experience with decision makers to tackle negative perceptions held by both sides and meaningfully engage (the 'Elephants' series).
Centre for Local Economic Strategies Limited/CLES	15,000	Systems	To support additional time for the participating partners of the 'Elephants' series of conversations bringing together local stakeholders from different levels and perspectives.
The Centre for Social Justice	20,000	Systems	To fund a piece of research on homelessness and structural influences.
Collaborate CIC	100,000	Systems	To engage Collaborate to work in two localities supporting place-based system change over 12 months
Cumbria Partnership NHS FT/Love Barrow Families	150,866	Systems	To support the second year of the Love Barrow Families partnership, working with families where children are at risk of child protection orders
Depaul International	60,000	People	To establish and launch the Global Research Hub to allow researchers, practitioners and decision-makers to share effective practices to address homelessness among people experiencing severe and multiple disadvantage
Domestic Violence Intervention Project/ DVIP	197,987	Support	Towards the continuation and expansion of the 'men and masculinities' programme working with men in drug/alcohol treatment who are/have been in violent relationships.
Edinburgh Cyrenians	179,426	Support	To continue to employ a keyworker to provide direct support to individuals; to embed and mainstream change in the organisation; and to influence wider systemic change
Elmore Community Services	6,000	Systems	Systems Changers Programme: How can the insight of frontline workers influence systems change?
End Violence Against Women Coalition Ltd	15,000	Support	To support a targeted piece of policy work on domestic abuse, in partnership with AVA
Equinox Care	3,000	Systems	Systems Changers Programme: How can the insight of frontline workers influence systems change?
The Forum for the Future	20,000	Systems	To develop a platform which shares existing and ground-breaking systems change thinking; and to transfer knowledge and tools to organisations working with people facing severe and multiple disadvantage.
Friends, Families and Travellers	3,000	Systems	Systems Changers Programme: How can the insight of frontline workers influence systems change?

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Organisation name	Grant amount £	Strategic area	Description
Goldsmiths, University of London (Open Book)	175,000	Support	To continue to support the core team and the Open Book offices in Chatham
The Griffins Society	2,000	People	To support the introduction of systems thinking into a workshop for Griffin fellows
Healthwatch Lambeth	28,040	Systems	To support the consolidation phase of the Lambeth Black Wellbeing Partnership
Holy Cross Centre Trust	185,000	Support	To support an organisational restructure at Holy Cross which allows it to provide the best possible support environment for people facing multiple disadvantage, and to evaluate the impact of the process
Homeless Link (host organisation for Expert Link)	90,000	Support	To continue to support Expert Link's leader to develop the initiative, raising awareness and capturing feedback on the tools developed thus far
Homeless Link (MEAM project)	12,000	Systems	To support costs of hosting the 2017 MEAM Summit
Hope into Action: East Of England	6,000	Systems	Evaluation costs
The Hull Lighthouse Project	16,412	People	Publication of a collection of writing and art taken from a qualitative research project with women street sex workers
Institute for Voluntary Action Research (IVAR)	5,000	Systems	To support phase two of a review of funding for 'place-based' initiatives.
The Integrate Movement CIC	150,000	Systems	To scale the adoption of co-production principles for the design of mental health services for excluded young people.
Justlife Foundation Ltd	100,000	People	To support the first year of developing a team dedicated to UK wide system change in the area of unsupported temporary accommodation over the next five years
Lloyds TSB Foundation for Scotland	100,000	Systems	To support Place-based work in Scotland
Local Solutions	160,000	Support	To fund two core salaries and support travel, relationship building and convening activities for a group of generalists and specialists to explore gaps in practice and interventions
Locality (UK)	40,500	Systems	To engage Locality to work in two areas supporting place-based system change initially over 6 months
National Children's Bureau	4,000	People	To fund publication and dissemination activities (e.g. animation, graphics) of report on children missing from education.

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Organisation name	Grant amount £	Strategic area	Description
National Survivor User Network (NSUN) for the Insight project	147,000	Support	To complete and build on the work of the pilot phase of Real Insight's work to audit and enhance the level of service user ownership and empowerment within services for people facing multiple disadvantage
New Philanthropy Capital	24,205	Systems	To research whether theories of change affect or facilitate systems thinking
Our Sorority CIC	800	Support	To cover Our Sorority's costs while they recover money after an error by their bank.
Our Sorority CIC	65,000	Support	Core funding to support the development of their Theory of Change, explore and develop relationships in Birmingham and continue to work to improve the lives of women
Participatory City Lab CIC	70,000	Systems	To develop a demonstration neighbourhood that transforms a whole place through mass participation in micro everyday activities
Porchlight	3,000	Systems	Systems Changers Programme: How can the insight of frontline workers influence systems change?
Pritpal S Tamber Ltd	22,000	Support	For development of the UK collaborative on creating health
The Public Law Project	43,000	Systems	To enable the appointment of two senior lawyers to strengthen Public Law Project's staff team, and therefore invest in their capacity for strategic litigation to address the issues and inequalities faced by people experiencing severe and multiple disadvantage
Queen Mary University of London	1,245,343	People	To set up and run a new 'Knowledge Hub' initiative on ethnic inequalities, mental health and multiple disadvantage.
Revolving Doors Agency	5,000	Systems	Evaluation costs
Rising Sun Domestic Violence & Abuse Service Ltd	3,000	Systems	Systems Changers Programme: How can the insight of frontline workers influence systems change?
Social Finance Ltd	71,960	Systems	To support the consolidation phase of the Lambeth Black Wellbeing Partnership
Social Innovation Exchange/SIX	10,000	Systems	To support the 'Unusual Suspects' collaborative events bringing together social innovators, practitioners and experts to accelerate social change

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Organisation name	Grant amount £	Strategic area	Description
St Mary's (Bramall Lane) Community Centre	247,825	Support	To build and expand St Mary's existing community-run projects (include Appreciative Enquiry with isolated Pakistani women); examine the optimal organisational foundations which can provide 'just enough' structure to projects set up and run by community members; and to frame St Mary's approach in an 'understandable and respectable' way which will support uptake by the local statutory system
Together for Mental Wellbeing	165,000	Systems	To support Together with building relationships in York to encourage systemic change in responding to complex distress, whilst still delivering their Pathway model for up to 30 people
Transforming Choice CIC	80,000	Support	To support Transforming Choice through their tender bid for the drug and alcohol contract in Liverpool
Transgenerational Change Ltd	20,000	Support	To resource the participation of the School and Family Works in the ongoing Institute for Education research into young people's experience of disadvantage; and to capture and share learning from their work.
Two Saints Limited	3,000	Systems	Systems Changers Programme: How can the insight of frontline workers influence systems change?
University College London/Institute of Education	2,209	People	A top-up grant to resource staff contributions from UCL's new research partners, and to ensure appropriate technology is available at the new host sites for the ongoing participatory research into young people's experiences of severe and multiple disadvantage
Unlimited Potential re Salford Dadz	51,637	Systems	Evaluation costs that had been omitted from project proposals due to a formula error in the budget template.
The Winchester Project	53,648	Systems	A second grant to continue development of the North Camden Promise Zone (NCPZ) to improve the life chances of local children and young people facing multiple disadvantage, and change the way in which these children are supported and enabled to fulfil their potential. To 'build the village' in which children grow up and redesign systems of support to intervene earlier, more collaboratively and more intelligently, in order to improve long-term outcomes across education, mental health and wellbeing
The Winchester Project	233,677	Systems	To continue to support the North London Zone.
WomenCentre Limited	20,000	Systems	To continue to build on activity and learning of recent years, including Vanguard method practitioner training.

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Organisation name	Grant amount £	Strategic area	Description
Wycombe Homeless Connection	3,000	Systems	Systems Changers Programme: How can the insight of frontline workers influence systems change?
York Road Project	3,000	Systems	Systems Changers Programme: How can the insight of frontline workers influence systems change?
The You Trust	3,000	Systems	Systems Changers Programme: How can the insight of frontline workers influence systems change?
Total	£4,866,572		

Financial report

The trustees authorised a total budget (excluding investment management and social investment fees) for 2016/17 of £6,443k made up of:

- £5,325k programme costs
- £1,118k staff costs, governance and office costs

There was also a budget of £15k for capital expenditure.

Total expenditure, excluding investment management fees was £6,265k. This was made up of:

- £5,238k programme costs.
- £1,027k staff costs, governance and office costs.

£7k was spent on capital items in the year.

Spending policy

Trustees and staff regularly review progress against the Foundation's strategic aims and a work plan is agreed with the staff team. In 2016/17, the work was grouped in terms of: People, Support, Systems and Lankelly Chase. This latter strategic area was set in order to support the Foundation to be an organisation that lives by its values, models the change we want to see, develops methodologies for reaching and engaging the most promising partners and for communications.

As last year, an annual budget was authorised for grants and for each major strategic area (equalities and rights, systems change and social innovation), although many of the programme areas take place over more than one financial year. For 2017/18 a 3 year rolling budget will be presented to the board for approval so that the financial plans better reflect how the team plan the programme work.

It is our strategy and mission that are the main determinants of each year's expenditure.

Investment policy

The Foundation adopts a total return approach to investment, generating the investment return from income and capital gains or losses after deducting investment manager fees.

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The Foundation seeks to produce the best financial return within an acceptable level of risk for the bulk of the assets. Trustees seek to maintain the value of the Foundation's assets at not less than £100 million in real terms (revalued from a base in 2013) after fulfilling its mission-related programme.

Investment management

The trustees engage four investment management houses to manage a portfolio of assets on a discretionary basis which had a value of £141 million at 31 March 2017 (2016: £127 million). These houses were chosen to complement each other and reduce style bias and manager risk. As such, they employ a range of strategies to meet investment objectives and report performance against stated benchmarks.

In addition, the trustees measure long-term performance against the objective of maintaining the real value of reserves at not less than £100 million (from a starting point on 31/3/13 for the indexation calculations) while being able to meet all the spending requests on projects and grants that are considered likely to help us to achieve our objectives. The underlying holdings are generally readily marketable and are either quoted on recognised exchanges or are authorised unit trusts or open-ended investment vehicles.

Investment portfolio

The investment portfolio contains the bulk of the Foundation's assets. Certain restrictions apply to all investment managers such as a ban on investing directly in companies the operations of which might significantly conflict with the Foundation's mission or adversely affect our ultimate beneficiaries, people facing severe and multiple disadvantage. Each fund manager has agreed asset allocation bands and performance benchmarks against which performance is reviewed.

The total value of the managed fund investments increased by £14 million, from £127 million in 2016 to £141 million in 2017 (2016: fall of £9 million).

Performance

2016/17 has been another period where financial markets have experienced high volatility and our managed portfolio has experienced similar ups and downs, albeit with ending March 2017 with a £19 million net gain on the managed investments (2016: £7million net loss).

LankellyChase is a long-term investor with a well-diversified portfolio spread over four investment managers each with its own benchmark, set to best enable the Foundation to achieve its investment strategy over the long term and so can accept some short-term volatility.

In the period since 2012 when there was a review and change of fund managers two of our managers have performed better than their benchmark and two are behind benchmark. This continued the pattern reported last year. The combined performance has, however, exceeded a composite benchmark. In 2016/17, trustees began an investment strategy review which will be continued during 2017/18, to review asset allocations, fund managers and the performance needed to achieve our objectives.

Social investments

The Foundation will consider making social investments where they are closely aligned to our mission and where the financial support required is different to that needed by grantees.

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Decisions about prospective social investments are made by the trustees who may take advice about individual investments and contracts if deemed necessary.

Achieving the maximum financial return is not the overriding consideration in making these investments and in reviewing their success. The trustees recognise that the returns from social investments come from a blend of social impact and the traditional investment measures of income generated and increase in capital value. Income and the maintenance of capital value is important to demonstrate that social investments can produce a financial return as well as a social return, but the primary reason for the Foundation making social investments is, as for grant-making, to advance our charitable mission. Social investments are reviewed for both social impact and on financial measures to inform impairment considerations.

Social investments at 31 March 2017 totalled £1,902,035 (2016: £1,972,612).

Although the Foundation hasn't made any new social investments for a number of years, it remains part of a network of other foundations that are keen to advance the volume and profile of social and impact investing.

Reserves policy

As the Foundation's endowment is expendable, it is all available for use at the discretion of the trustees in furtherance of the charitable objects of the Foundation.

Trustees consider it prudent to hold cash of approximately twelve months' projected expenditure. This includes grants that are payable in the next 12 months, one year's programme, staff, governance and office costs and the value of any purchases of office furniture or equipment that are anticipated within the next 12 months. This cash is held under the Foundation's direct control.

Remuneration policy

The overall goal of the Foundation's remuneration policy is to ensure that staff members are remunerated fairly and in a way that ensures that the Foundation attracts and retains the right skills to have the greatest impact in delivering our charitable objectives.

LankellyChase aims to maintain a competitive and fair salary structure which is clearly defined and communicated to all employees with procedures that are applied consistently in a non-discriminatory manner. The Foundation benchmarks salaries against an appropriate comparative sector/set of organisations. All salary changes are approved by the CEO and the Finance and Resources Committee.

LankellyChase is a living wage employer and commits to paying at least the London Living Wage to all employees, including interns.

The Foundation does not pay remuneration to trustees or co-optees.

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Statement of responsibilities of the trustees

The trustees (who are also directors of LankellyChase Foundation for the purposes of company law) are responsible for preparing the report of the trustees' and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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 UK Accounting Standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditors are unaware; and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

The report of the trustees has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

Approved by the trustees on 28 June 2017 and signed on their behalf by

Morag Burnett
Acting Chair of Trustees

The LankellyChase Foundation

Independent auditor's report to the members of The LankellyChase Foundation

Opinion

We have audited the financial statements of The LankellyChase Foundation (the 'charitable company') for the year ended 31 March 2017 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the trustees' annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a

The LankellyChase Foundation

material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements
- The trustees' annual report has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

The LankellyChase Foundation

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Jonathan Orchard (Senior statutory auditor)
for and on behalf of Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, London EC1Y 0TL

28 June 2017

The LankellyChase Foundation

Statement of financial activities for the year ended 31 March 2017

	Note	All restricted and unrestricted funds 2017 £	Unrestricted funds 2016 £
Income from:			
Investments	2	3,612,012	3,352,622
Donations		47,027	40,646
Other income	3	10,000	-
Total incoming resources		3,669,039	3,393,268
Expenditure on:			
Investment management fees		832,870	808,012
Charitable activities	4	6,264,728	5,723,600
Total expenditure		7,097,598	6,531,612
Net expenditure before net gains/(losses) on investments		(3,428,559)	(3,138,344)
Net gains/(losses) on investments		19,235,166	(6,864,904)
Net income/(expenditure) for the year	5	15,806,607	(10,003,248)
Reconciliation of funds:			
Total funds brought forward at 1 April		129,962,696	139,965,944
Total funds carried forward at 31 March		145,769,303	129,962,696

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 17 to the financial statements.

The LankellyChase Foundation

Balance sheet as at 31 March 2017

			2017		2016
	Note	£	£	£	£
Fixed assets					
Tangible assets	11		45,238		77,826
Investments					
Managed funds	12		141,388,210		126,577,773
Social investments	13		1,902,035		1,972,612
			143,335,483		128,628,211
Current assets					
Debtors	14	147,808		126,217	
Cash at bank and in hand		6,594,579		5,553,540	
		6,742,387		5,679,757	
Liabilities					
Creditors: amounts falling due within one year	15	(2,514,060)		(2,931,248)	
			4,228,327		2,748,509
Net current assets			4,228,327		2,748,509
Total assets less current liabilities			147,563,810		131,376,720
Creditors: amounts falling due after one year	16		(1,794,507)		(1,414,024)
Total net assets			145,769,303		129,962,696
The funds of the charity					
Restricted funds	17		10,000		-
Unrestricted funds	17		145,759,303		129,962,696
			145,769,303		129,962,696

The financial statements were approved by the Board of Trustees and authorised for issue on 28 June 2017 and are signed on its behalf by:

Morag Burnett
Acting Chair of Trustees

Company registration number 5309739

The LankellyChase Foundation

Statement of cash flows
For the year ended 31 March 2017

	Note	2017	2016
		£	£
Cash flows from operating activities	18		
Net cash provided by/(used in) operating activities		(7,059,478)	(6,017,761)
Cash flows from investing activities:			
Dividends and interest from investments		3,612,012	3,352,622
Purchase of fixed assets		(6,801)	(1,194)
Purchase of social investment		-	(150,000)
Return or impairments of social investments		70,577	231,151
Movement on cash within investments		815,617	1,676,218
Proceeds from sale of investments		63,762,731	35,209,279
Purchase of investments		(60,153,619)	(34,416,386)
Net cash provided by/(used in) investing activities		<u>8,100,517</u>	<u>5,901,690</u>
Change in cash and cash equivalents in the year		<u>1,041,039</u>	<u>(116,071)</u>
Cash and cash equivalents brought forward at 1 April		<u>5,553,540</u>	<u>5,669,611</u>
Cash and cash equivalents carried forward at 31 March	19	<u><u>6,594,579</u></u>	<u><u>5,553,540</u></u>

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2017

1. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2015) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

Going concern

The trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Income

Investment income is accounted for when received by the Foundation or its agents. Social investment interest income is recognised when receivable on an accruals basis. Other income is accounted for when the amount receivable can be identified with reasonable certainty. In practical terms this is generally the date of receipt.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity heading: expenditure on charitable activities which includes the costs of programme activities and grant-making undertaken to further the purposes of the charity and their associated support costs.

Charitable activities are those costs relating to the programme activities of the Foundation and include grants, governance and support costs. Grants are generally payable in instalments over a number of years. The full amount of the grant however is accounted for in the year in which the decision is made rather than the year in which payment is made. These grants fall due for payment when all conditions have been met. These conditions will vary according to the purpose and period of the grant.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

Investment managers' fees are grossed up for any rebates received.

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2017 (continued)

Governance costs are the costs associated with the strategic direction of the organisation and with meeting regulatory responsibilities.

Support costs are those related to all the other activities of the organisation and are apportioned on the basis set out in note 4.

Allocation of support costs

Resources expended are allocated to the activity where the cost relates directly to that activity. However, the cost of the overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the basis of the proportion of staff time attributable to each activity.

Operating lease commitments

Rental charges are charged on a straight line basis over the term of the lease.

Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

Leasehold improvements	over the remaining life of the lease
Office furniture and equipment	25% per annum

Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities and any excess of fair value over the historic cost of the investments will be included in unrestricted reserves in the balance sheet. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities (SOFA). The Foundation does not acquire put options, derivatives or other complex financial instruments.

Social investments

Social investments are carried at fair value or impaired cost where it is not practicable to recognise at fair value. Such investments are subject to regular review and any impairment is charged to the SOFA. Investment valuations are not enhanced to more than original cost.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2017 (continued)

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

The Foundation only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Pension costs

Contributions by the Foundation to the personal, money purchase, pension schemes held in the names of the individual employees are recognised in the year in which they are payable.

Funds

As the Foundation's endowment is expendable, unrestricted funds are available for use at the discretion of the trustees in furtherance of the charitable objects of the Foundation.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors.

2. Income from investments

	2017	2016
	£	£
Listed investments	3,530,187	3,291,579
Interest on cash held as part of the investment portfolio	5,709	9,393
Bank interest	16,531	26,402
Social investment income	59,585	24,410
Feed-in tariff	-	838
Total investment income	<u>3,612,012</u>	<u>3,352,622</u>

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2017 (continued)

3. Other income

	2017	2016
	£	£
Restricted funds		
Contribution to costs of conference	10,000	-
	10,000	-
	10,000	-

4. Expenditure on charitable activities

All expenditure on charitable activities falls under the heading of programme costs. The Foundation's strategy in the year was based around four key areas: People, Support, Systems and Lankelly Chase. This latter strategic area was to create an organisation that lives by its values, models the change we want to see, develops methodologies for reaching and engaging the most promising partners and for communications.

Where the programme expenditure relates to grants, the allocation of costs to strategic areas is not precise, as most grants cut across more than one or two of these areas and, for grants that span a number of years, the focus of the work can also develop and change over time. The Foundation's approach is to encourage grant applicants to respond to what is needed locally rather than to restrict their work to just one strategic area.

There were no restricted costs in the year (2016: £nil)

As there is only one stream of income or expenditure to which support costs can be allocated, they are all allocated to programme costs, as set out below:

	2017	2016
	£	£
Programme-related costs		
Strategic areas:		
People	1,528,230	353,763
Support	1,837,030	1,374,499
Systems	1,786,954	2,967,268
Lankelly Chase	85,605	-
Cross-cutting	-	120,439
	5,237,819	4,815,969
Governance costs (note 6)	67,775	41,831
Support costs (note 7)	959,134	865,800
	6,264,728	5,723,600
	6,264,728	5,723,600

The LankellyChase Foundation

Notes to the financial statements
for the year ended 31 March 2017 (continued)

5. Net income/(expenditure) for the year

This is stated after charging/(crediting):

	2017	2016
	£	£
Depreciation	38,840	38,838
Loss on disposal of fixed assets	549	-
Operating lease rentals		
Property	65,559	65,318
Other	8,801	6,219
Auditor's remuneration (excluding VAT):		
Audit	10,800	10,600
Other services and VAT	2,160	2,098
	<u>67,775</u>	<u>41,831</u>

6. Governance costs

	2017	2016
	£	£
Legal expenses	13	162
Auditor's remuneration		
Current year provision	10,800	10,600
Prior year (over)/under-provision and VAT	2,160	2,098
Membership of PRI	960	936
Chair and trustee recruitment	7,999	3,600
Trustee expenses reimbursed	5,760	7,236
Trustee training	-	585
Trustee meeting costs	10,430	16,131
Investment advisor fees	29,386	-
Other governance related administration expenses	267	483
	<u>67,775</u>	<u>41,831</u>

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2017 (continued)

7. Support costs

The key elements of support costs are set out below.

	2017 £	2016 £
Staff costs (note 8)	720,824	674,448
Recruitment costs	10,845	1,655
HR-related costs	6,606	7,399
Premises costs including utilities and repairs	82,015	80,316
Legal and professional costs	6,787	3,940
Travel, subsistence and hosting of events	6,985	3,769
Training and conferences	18,370	6,537
Subscriptions and memberships	36,849	15,616
Telephone, postage, stationery and printing	16,027	14,451
Website and IT costs	13,573	18,133
Bank charges	697	698
Exchange rate differences	716	-
Depreciation	38,840	38,838
	959,134	865,800
	959,134	865,800

8. Analysis of staff costs, trustee expenses and the cost of key management personnel

Staff costs were as follows:

	2017 £	2016 £
Salaries	595,536	537,281
Social security costs	61,861	57,204
Employer contribution to defined contribution pension schemes	61,222	55,548
Temporary staff	-	22,006
Other forms of employee benefits	2,205	2,409
	720,824	674,448
	720,824	674,448

The following number of employees received benefits in excess of £60,000 (excluding employer pension costs and employer National Insurance contributions) during the year between:

	2017 No.	2016 No.
£60,000 - £70,000	1	-
£70,000 - £80,000	-	1
£90,000 - £100,000	1	1

The total employee benefits including employer pension contributions and employer National Insurance contributions of the key management personnel were £429,868 (2016: £427,630).

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2017 (continued)

The Chief Executive received a gross salary of £93,138 with employer pension contributions of £15,382 (2016: £93,138 and £15,382 respectively).

The key management personnel (including the Chief Executive) received gross salaries plus employer pension contributions and other benefits in the following bands.

	2017	2016
	No.	No.
£60,000 - £70,000	2.9	2.9
£70,000 - £80,000	-	1.0
£80,000 - £90,000	1.0	-
£100,000 - £110,000	1.0	1.0
Total	<u><u>4.9</u></u>	<u><u>4.9</u></u>

Trustees' expenses represent the payment or reimbursement of travel and subsistence costs totalling £12,951 (2016: £10,778) incurred by 8 members relating to attendance at meetings of the trustees (2016: 10).

The Foundation trustees were not paid nor received any other benefits from employment with the Foundation in the year (2016: £nil).

9. Staff numbers

The average monthly number of employees (head count based on number of staff employed) during the year was 12 (2016: 11).

10. Related party transactions

There were no related party transactions in the year.

In 2016, the former Vice Chair of the Foundation, Andrew Robinson, who retired as a trustee on 25 July 2015, was also Director of Market Development at CCLA Investment Management Limited (CCLA), one of the four fund management firms engaged by the Foundation to manage the investment portfolio.

At 31 March 2016, CCLA managed funds totalling £12.9 million on behalf of the Foundation and charged management fees of £64,270 excluding VAT during that year.

The LankellyChase Foundation

Notes to the financial statements
for the year ended 31 March 2017 (continued)

11. Tangible assets

	Leasehold improvements £	Furniture & equipment £	Total £
Cost			
At 1 April 2016	133,849	58,722	192,571
Additions	-	6,801	6,801
Disposals	-	(1,883)	(1,883)
	<hr/>	<hr/>	<hr/>
At 31 March 2017	133,849	63,640	197,489
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2016	74,873	39,872	114,745
Charge for the year	26,172	12,668	38,840
On disposals	-	(1,334)	(1,334)
	<hr/>	<hr/>	<hr/>
At 31 March 2017	101,045	51,206	152,251
	<hr/>	<hr/>	<hr/>
Net book value at 31 March 2017	32,804	12,434	45,238
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value at 31 March 2016	58,976	18,850	77,826
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All assets are used for charitable purposes.

12. Investments – managed funds

Investments comprise:

	2017 £	2016 £
Listed investments	138,514,624	122,888,570
Cash held as part of the investment portfolio	2,873,586	3,689,203
	<hr/>	<hr/>
Total market value	141,388,210	126,577,773
	<hr/> <hr/>	<hr/> <hr/>

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2017 (continued)

Investments – managed funds (continued)

	2017 £	2016 £
Fair value at 1 April 2016	122,888,570	130,546,368
Additions at cost	60,153,619	34,416,385
Disposal proceeds	(63,762,731)	(35,209,279)
Net gain/(loss) on change in fair value	19,235,166	(6,864,904)
	138,514,624	122,888,570
	122,410,302	117,076,129

13. Investments - social investments

The movement in social investments held by the Foundation during the year, including those provided against, were as follows:

	At 1 April 2016 £	Purchases in year/ (return of capital) £	Reversal of provision for impairment £	At 31 March 2017 £
Peterborough Social Impact Bond	345,860	-	-	345,860
Big Issue Invest	176,752	(20,577)	-	156,175
Charity Bank	200,000	-	-	200,000
Ethex	-	(1,101)	1,101	-
Social Justice and Human Rights Centre	550,000	(50,000)	-	500,000
Bristol Together CIC	250,000	-	-	250,000
Resonance Real Lettings Property Fund	250,000	-	-	250,000
Fair Finance	200,000	-	-	200,000
	1,972,612	(71,678)	1,101	1,902,035
	1,972,612	(71,678)	1,101	1,902,035

At the year-end, the Foundation had committed to further social investments totalling £250,000, to be made in the year to 31 March 2018.

14. Debtors

	2017 £	2016 £
Other debtors	91,313	85,375
Prepayments	48,399	38,467
Accrued income	8,096	2,375
	147,808	126,217
	147,808	126,217

Included in other debtors is an amount of £580 (2016: £2,221) falling due after more than one year.

The LankellyChase Foundation

Notes to the financial statements
for the year ended 31 March 2017 (continued)

15. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	51,991	13,590
Grants payable within one year	2,202,849	2,697,916
Other creditors	3,004	3,004
Accruals	256,216	216,738
	<u>2,514,060</u>	<u>2,931,248</u>

Reconciliation of movement in grants creditors

	2017 £	2016 £
At 31 March 2016		
Grants falling due within one year	2,697,916	2,929,510
Grants falling due after more than one year	1,414,024	1,193,051
Total grants creditor	<u>4,111,940</u>	<u>4,122,561</u>
Prior years' grants cancelled/returned in year	(55,000)	(164,629)
New grants awarded in year	4,866,572	4,450,261
Grants paid in year	<u>(4,926,156)</u>	<u>(4,296,253)</u>
At 31 March 2017	<u>3,997,356</u>	<u>4,111,940</u>
At 31 March 2017		
Grants payable within one year	2,202,849	2,697,916
Grants payable after more than one year	1,794,507	1,414,024
Total grants creditor	<u>3,997,356</u>	<u>4,111,940</u>

16. Creditors: amounts falling due after one year

	2017 £	2016 £
Grants payable (all payable in 2-5 years)	1,794,507	1,414,024
	<u>1,794,507</u>	<u>1,414,024</u>

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2017 (continued)

17. Movement in funds

As the Foundation's endowment is expendable, there is no distinction between the endowment and unrestricted reserves. These funds are available for use at the discretion of the trustees in furtherance of the general objectives of the Foundation.

a. Current year

	At 1 April 2016 £	Incoming resources & gains £	Outgoing resources & losses £	At 31 March 2017 £
Unrestricted funds	129,962,696	22,894,205	(7,097,598)	145,759,303
Restricted funds	-	10,000	-	10,000
Total funds	129,962,696	22,904,205	(7,097,598)	145,769,303

All income and expenditure in the year related to unrestricted funds except for £10,000 contribution to the costs of a conference planned for the new financial year. This income is disclosed as restricted income because it is solely to cover a share of the conference costs. As at the year-end, no conference costs had been incurred. This income is not disclosed on the face of the SOFA because it is immaterial.

b. Prior year

	At 1 April 2015 £	Incoming resources & gains £	Outgoing resources & losses £	At 31 March 2016 £
Unrestricted and total funds	139,965,944	3,393,268	(13,396,516)	129,962,696

There was no restricted income or expenditure in 2016.

18. Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2017 £	2016 £
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	15,806,607	(10,003,248)
Depreciation charges	38,840	38,838
(Gains)/losses on investments	(19,235,166)	6,864,904
Dividends and interest from investments	(3,612,012)	(3,352,622)
(Profit)/loss on the disposal of fixed assets	549	-
(Increase)/decrease in debtors	(21,591)	502,820
Increase/(decrease) in creditors	(36,705)	(68,453)
Net cash provided by/(used in) operating activities	(7,059,478)	(6,017,761)

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2017 (continued)

19. Analysis of cash and cash equivalents

	At 1 April 2016 £	Cash flows £	At 31 March 2017 £
Cash in hand	5,553,540	1,041,039	6,594,579

20. Operating lease commitments

The Foundation's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	Land and buildings		Other assets	
	2017 £	2016 £	2017 £	2016 £
Less than one year	65,559	65,357	3,121	4,206
One to five years	262,236	261,426	2,306	-
Over five years	87,412	157,945	-	-
	415,207	484,728	5,427	4,206

21. Legal status of the charity

The Foundation is a charitable company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.