

Lankelly Chase

The LankellyChase Foundation

**Annual report and financial statements
for the year ended 31 March 2019**

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 2019 and also include changes up to the date on which the accounts were signed.

Trustees	Myron Rogers (I)	Chair
	Morag Burnett (I, R)	Vice Chair
	Oliver Batchelor (L, R)	
	Hilary Berg (L)	
	Jake Hayman (I)	
	Marion Janner (L)	Retired 27th February 2019
	Jane Millar (L)	
	Darren Murinas (L)	
	Simon Tucker (R)	
	Robin Tuddenham (L, R)	

Co-optees	Andrea Marmolejo (I)	Jeremy Rogers (I)
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(I) indicates member of the Investment Committee

(L) indicates member of the Learning and Communications Committee

(R) indicates member of the Resources and Risk Committee

Any individual Trustee has the right to attend any Learning and Communications Committee meeting.

Staff team	Julian Corner *	Chief Executive
	Melissa Appel	Executive Assistant resigned 5th September
	Yasmin Belgrave	Office and Finance Assistant
	Jessica Cordingly *	Director (currently on parental leave)
	Lisa Clarke *	Director (parental leave cover) from 16th October 2018
	Karen Crompton	Office and HR Manager
	Joe Doran	Programme Manager
	Renee Davis	Communications Officer from 13th November 2018
	Alice Evans *	Director/ Deputy Chief Executive from 20th August 2018
	Oliver French	Programme Manager
	Carrina Gaffney	Communications Manager
	Ania Jeleniewska-Kaczmarczyk	Finance Officer/ Finance Manager from 20th August 2018 (currently on parental leave)
	Robert McLaurin	Interim Finance Director
	Habiba Nabatu	Programme Manager
	Jenny Oppenheimer	Programme Manager
	Cathy Stancer *	Director
	Elizabeth Walsh	Finance Manager (parental leave cover) from 19th October 2018
	Mary Ward	Executive Assistant from 1st October 2018

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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 2019. 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 the approach we have taken this year, the way we work, our activities, the key learning that we have drawn out from this, some of the mistakes we have made and our plans for the next year. The second section (page 14 onwards) covers how we are governed, grants allocated and our financial expenditure and management.

OUR WORK IN THE YEAR ENDED 31 MARCH 2019

Who we are

Lankelly Chase is an independent foundation with a mission to change the systems that perpetuate 'severe and multiple disadvantage'. There are different ways of framing this – sometimes people talk about 'complex needs' (though we prefer not to use the language of needs) or deep exclusion or marginalisation. Whatever the terminology, we are referring both to the way severe social harms (homelessness, mental ill health, poverty, violence and abuse, substance misuse for example) cluster in the lives of some people and to the contribution various systems make to that dynamic.

The word 'systems' is key in our mission statement because we think outcomes emerge from the actions of whole systems – not just the work of particular organisations or initiatives, however excellent they may be.

“Lankelly Chase has a growing conviction that the outcomes we seek can only happen through the actions of whole systems. Although there are many parts of a system – projects, workers, organisations, rules, funding, communities, institutions – that have a bearing on a particular disadvantage or harm, they are all continually affecting each other. No individual part exists or has an effect in isolation of the others. This leads us to think that sustainable change depends on the way all the parts interact

Julián, blogging on our new 'Approach to Change', published in May

We therefore work to support the health of whole systems. We do this by promoting, spreading (and testing) a set of principles, or 'system behaviours' which we think sum up what 'healthier' systems look like. These are:

Perspective

- People view themselves as part of an interconnected whole
- People are viewed as resourceful and bringing strengths
- People share a vision

Power

- Power is shared, and equality of voice actively promoted
- Decision-making is devolved
- Accountability is mutual

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Participation

- Open, trusting relationships enable effective dialogue
- Leadership is collaborative and promoted at every level
- Feedback and collective learning drive adaptation

We are a team of 16, a trustee board of 10 (at the close of the financial year) and we work with an array of driven, passionate and creative people in charities, community groups, local authorities, academia, the police, the NHS, schools and other charitable foundations (plus many talented independents) across the country.

“It feels like we are walking alongside fellow travellers and ones who acknowledge the complexity of the systems we are working in”

Jenny, blogging about the newest iteration of our ‘Systems Changers’ programme

We’re based in London and spend a lot of time on trains and in Premier Inns.

How we work

Thinking in terms of whole systems rather than individual organisations or initiatives has a number of implications for the way we approach our work.

Perhaps most significantly it implies a shift in how we think of ourselves. There is no getting away from the fact that we are a part of the systems we seek to influence.

“...we have come to the uncomfortable realisation that if we want to change a system, we have to start with changing ourselves. Time and again we have found that the changes we think are needed ‘out there’ are equally needed ‘in here’”

Julian, writing about our governance review

With the health of whole systems and the idea of spreading the system behaviours in mind, we have found we cannot behave like a traditional funder, supporting only projects, interventions and organisations. The health of relationships, connections and *spaces between* things are as important as the individual parts.

“Arguably, the quality of the relationship between the parts of the system contributes more to the outcomes we seek than the quality of the individual parts themselves. And yet where is the governance of the interrelations? Whose job is it to notice how things connect – or not – beyond organisational boundaries?”

Julian, on governance again

The complexity of the systems we work in and are a part of, the impossibility of untangling cause and effect and the risk that any action may have unintended consequences mean traditional programmes and plans are not appropriate. In fact, these might drive us in the wrong direction (particularly if targets are determined from the outset). Instead we take an ‘action inquiry’ approach, which means in practice that we hold in mind a set of questions (to help us stay open-minded) and that learning, reflection and adaptation are integral. Our work and ideas are continually evolving as a result.

This in turn implies that we need to find different starting points, with people facing severe and multiple disadvantage as leading actors able to make their own views clear on the nature of the problem, what success might look like, and how it should be achieved. Organisations can be the means of enabling people with lived experience to play a full role, but just as often they risk acting as a barrier, with the needs of the organisation coming first. This suggests that we need to put our resources at the service of whole systems, and all the people who occupy them, not just organisations. That is a radically different funding model from the one that brought us to this point.

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All of this has meant some rather mind-bending unlearning of a lot of what we thought we knew about how to work on social change. We have all struggled with this to different degrees and it remains a work in progress.

“We are so conditioned to operate within reductive structures that stripping them away leaves us with very little. The paralysing confusion and anxiety all come crashing in”

Julian, on our Approach to Change

Our action inquiries

Our overarching action inquiry question is ‘what does it take to change the systems that perpetuate severe and multiple disadvantage?’

We have five sub-questions; at present each of these is its own action inquiry.

PLACE: How can we help places to build the system behaviours?

POWER: What would it take to reimagine power dynamics in order to change the systems that perpetuate severe and multiple disadvantage?

KNOWLEDGE: How do we promote a healthier knowledge system?

FIELD: What’s needed to nurture a critical mass of people who are capable of analysing and disrupting systems?

LANKELLY CHASE: How can an endowed foundation model the system behaviours? And what should good governance in interconnected systems look like?

A note on place –

Much of our work has organically shifted towards a place-level approach. At a local level, projects we have funded have often drawn us and our partners into bigger and bigger questions about the conditions that would enable the innovation we have funded to trigger a wider transformation. At a national level, we are finding that partners increasingly want to anchor their work in the realities of the local level.

We are very happy to be drawn into place-based work. Places are where people face severe and multiple disadvantage, and where the reality of their lives plays out. Place is one way we can put a meaningful boundary around our work and to think about whole systems without becoming completely overwhelmed. It is also where we can bring to bear the learning from all our work, including the other action inquiries. Place is therefore increasingly one of the main ways we organise ourselves rather than being a strand of work equivalent to the others.

All of us are engaged in work in a number of places that Lankelly Chase is committed to for the long term and we intend to deepen this involvement.

What we’ve done this year

In our work in ‘place’...

We continue to work closely with local people in the places we are already committed to with the aim of promoting and testing the system behaviours.

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In York, Barrow in Furness and Manchester this work has developed from projects we had previously been funding (York Pathway, Love Barrow Families and the Elephants Series respectively). Each is starting to draw in increasing numbers of partners, including many people with lived experience of severe and multiple disadvantage, into collective action inquiries, with the goal of reaching a shared vision around which agencies and individuals can collaborate.

In Gateshead and Barking and Dagenham the entry point has been an invitation from the local authority. In each place, Lankelly Chase staff take an active role, working alongside local people (often as a member of a core group steering cross-system work) and often with the help of an 'associate' (an intermediary with specific expertise, who can spend more time working in a particular locality than a member of the Lankelly team).

Each place is very different with different issues having been the starting point (non-payment of council tax, people who repeatedly call the emergency services, children and families, adults with 'multiple and complex needs') but we are looking for patterns and commonalities, with the help of our learning partner, Dr Toby Lowe of Northumbria University.

This year we also supported local people coming together in Oxford, through Arts at the Old Fire Station and other partners, to start to think about what a place-based approach to severe and multiple disadvantage might look like there.

In Birmingham we are working with the SEMH Pathfinder, a group of social workers and school staff seeking to mainstream a new approach to the way schools across the city work with those children and families facing the greatest challenges. We also began a dialogue with West Midlands Combined Authority about a local profile of severe and multiple disadvantage, building on our *Hard Edges* profiling work. This may mean a commitment to work in Birmingham/the West Midlands as a 'place'.

In Lambeth, our Chair, Myron Rogers, is part of a group supporting the evaluation of Black Thrive, a place-based change programme on Black mental health which we have been involved in since its earliest stages.

In March we held a retreat for people across the country who are working on place-based systems change to meet and learn from each other. More than 50 people came, from places as far afield Exeter and Edinburgh, via Lambeth, Barking and Dagenham, Oxford and York. We all shared our work, the successes, challenges and conundrums.

"We have realised that we need to collectively hold the process and work alongside associates and local partners as co-inquirers"

Alice and Habiba, writing about what we've learned from our place work

We published a report by Dr Toby Lowe setting out our learning to date from our place-based work.

Agenda, the alliance for women and girls at risk of severe and multiple disadvantage, published a discussion paper on gender and place-based working, funded by us, in October.

We have joined forces with six other foundations to set up 'LocalMotion' in a commitment to support communities in a more radical, joined-up way. Together we've set out to use our collective resources, experience and strengths to maximise the 'power of place' working with local partners to challenge existing norms and shape philanthropic practice.

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On the theme of 'power'...

We are increasingly viewing severe and multiple disadvantage as an extreme outcome of wider power inequalities across our society. Hence addressing severe and multiple disadvantage effectively will require these inequalities to be reduced. The scale of this challenge is formidable given how entrenched power structures are in our mindsets and behaviours, to the extent that they show up not only in the injustices that create disadvantage but in many of the responses to it, including - or perhaps especially - by funders.

"Power emerged as a theme through Lankelly Chase's and our partner's work on the systemic causes of multiple disadvantage. From place-based change to social innovation, our partners and colleagues kept telling us that sharing power and promoting equality of voice was essential for change to happen at the level of an individual, an organisation and a wider system"

Jess, writing about the power action inquiry

Many of these issues are being explored in a series of blogs on power dynamics in funding that we have commissioned with the Blagrove Trust.

Much of our place-based work centres on the ways that power can be shared, transferred or taken, and outside of these places we have been supporting a number of important innovations.

One phase of work with Public Law Project came to an end. This had focused on exploring what happens when PLP act as 'in house lawyers' for our network of partners. The work included successfully challenging the Department of Work and Pensions discriminatory changes to a disability benefit. The work was written up and published as a case study. We have now begun a process with them of working out what a new partnership might look like which builds on what we have learned together.

We have again sponsored Losing Control, which took place in February and which brought together change makers from all kinds of backgrounds, sectors and positions to discuss and create bottom-up and collaborative approaches to social change.

We began three-year core funding of the Bureau of Investigative Journalism's Bureau Local project, to support the sustainable growth of a network of investigative journalism that will hold those in power to account, shine a spotlight on the systemic failures that affect the most vulnerable in society and amplify the voices and stories of people currently missing from media reporting.

We've received a challenge from Shaping our Lives, NSUN (the National Survivor User Network) and other user-led organisations about the health of that sector. Together with them we are planning a conversation bringing funders and user-led organisations together to explore what is happening and what the future might hold.

We have set out to understand different methodologies around participatory grant making so we can put them to use in our place work. We are partnering with FundAction and the Edge Fund to support and shadow their processes in order to learn from them. We have reconfirmed support for some key partners including Camerados, Likewise (formerly Holy Cross Centre Trust), Justlife, Mayday Trust, St Mary's Community Centre and Real Insight.

And on 'knowledge'....

We continue to develop activity that challenges the certainties - or knowledge - that underpins most approaches to severe and multiple disadvantage, in order to shift how it is framed and who gets to frame it.

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The furthest stretch of our thinking was captured in a review which we published of what the concept of 'knowledge democracy' has to do with systems change and severe and multiple disadvantage.

"...there is an implicit hierarchy of acceptable forms of knowledge; the appropriate techniques with which to acquire it; and the language with which this knowledge can be articulated to the relevant decision-makers. And it's an elite affair."

Alice L, blogging on knowledge democracy

We continued our work with Heriot-Watt University on a gendered profile of severe and multiple disadvantage and (in partnership with The Robertson Trust) on a profile of severe and multiple disadvantage in Scotland. Both of these reports will be published in the first half of 2019-20.

We published a history of severe and multiple disadvantage to underline the potential for fundamental change in the way we understand and respond to it.

"In the past we looked at, understood and 'treated' disadvantage in very different ways from how we do today. This process of change doesn't stop, and it's likely we'll think very differently again in the future as there will be things that we think and do now that won't make sense in a generation's time".

Oliver, writing about the knowledge action inquiry

We continue to partner with Revolving Doors Agency on the convening of a research network on severe and multiple disadvantage, which this year published work on bereavement and loss and a series of podcasts.

Our partners, the Synergi Collaborative Centre, looking at knowledge, ethnicity and mental illness were named one of NESTA's 50 New Radicals this year. They continue their ambitious work bringing multiple voices, including those expressed in creative and artistic ways, together with formal research evidence.

We have employed a researcher to conduct a case study of the way knowledge is constructed and put to use by different people (those writing policy in public systems, and local people with direct experience of severe and multiple disadvantage) in one local area.

In our work to build the 'field' of people thinking and acting systemically...

Building on learning from the early stages of our Systems Changers programme, which we developed in partnership with the Point People, we want to ensure that critical mass of actors have access to systems tools that may allow them to respond to complexity more powerfully. It is our goal that these tools should be available to people who would not normally be considered for development in strategic ways of thinking, such as frontline workers and people with lived experience of severe and multiple disadvantage.

We began an ambitious partnership with the Children's Society, who are themselves on a system change journey. This involved running a version of our Systems Changers programme for frontline workers specifically geared towards the youth sector, and we will now work together to understand how this might be scaled so that it can be made available to a much wider number.

We've invested in key organisations in the field of systems change including new partnerships with Forum for the Future's School for Systems Change as they grow and develop the school and with NEON (New Economy Organisers Network) to inquire into how to build the leadership and capabilities of communities facing severe and multiple disadvantage.

We've funded some exploratory work on the potential for systems thinking approaches in

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race equality activism and have continued to support the establishment of the Funders for Race Equality network, contributing to the cost of its new secretariat and work on strategic communications, which was co-developed by the network and CORE (the Coalition for Race Equality).

“Democratising the field is necessary as systems change is in danger of being seen in an imperialistic context by activists/grassroots. This has a negative impact on the skills and capabilities of those tackling social injustice”

Jenny, in an internal paper on the field action inquiry

Julian was the guest editor of a special edition of Alliance magazine on systems change which brought together examples of foundations globally adopting systems approaches. Julian’s lead article argues that foundations potentially have a unique role to play in promoting systemic approaches and, drawing on Lankelly Chase’s learning, identifies four emerging systems mindsets that are observable across philanthropy.

We continue to support the work of important national initiatives, such as Revolving Doors Agency, Making Every Adult Matter and Agenda, all of whom provide crucial leadership as cross-cutting organisations focused on the complex realities in people’s lives rather than single issues.

We brought 43 people from 32 foundations working across the UK and Europe together for a two-day retreat. This was a space for foundation representatives to talk through and reflect upon the value of a systems approach to their organisations and their practice in recognition of the fact that (as the report on the event put it) we are in “unprecedented and dangerous territory as a country and as a planet” and that there is a “great, urgent need to develop a healthy system”.

And inside Lankelly Chase...

As a foundation with an independent endowment, we are aware that tackling inequality while holding accumulated wealth is a paradoxical position. We aim to find ways of addressing this without succumbing to paralysis. Our values, ‘open, reflective and determined’, are very helpful here.

We published our Approach to Change, a radical rewriting of our 2012 Theory of Change, setting out our current thinking on how we promote change in a highly complex and uncertain environment.

Many individuals from organisations including Black Thrive, Cyrenians, Wandsworth Community Empowerment Network, Local Solutions, Adfam, Social Finance, Collective Voice and Reset have taken over control of our Twitter account almost every Friday throughout the year.

We have begun an action inquiry into our own governance.

“...we have tried to think about how we govern ourselves as system actors – i.e. our responsibility towards the health of the whole system – and we have found little guidance or models to help us”

Julian, blogging on our governance action inquiry

We invited people from across the systems we are concerned with, including frontline workers and people with direct experience, to a series of governance lunches. We wanted to explore with them what we should be thinking about as we embark on a review of our governance. This is part of the critical self-analysis necessary as we recognise we are part of the systems – and therefore part of the problems – we seek to change.

We equalised leave and pay for all new parents on the team (and this year saw something of a baby bonanza – welcome to all the new little ones!)

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We recruited a Director of Investment to lead an action inquiry into how the investment of our endowment can itself help change the systems that perpetuate severe and multiple disadvantage.

We have taken a decision to divest of carbon intensive stock while we review whether a shareholder engagement approach can now justify our holdings.

“Once you start to see yourself as part of – rather than apart from – a system, then a lack of congruence between how you act and how you want others to act shows up pretty quickly. It turns out that if you concern yourself with the health of a system, acting effectively and acting ethically start to look pretty much the same”.

Julian, on our Approach to Change

Missteps, missed opportunities and blunders

We know we continually make mistakes as we feel our way through the complex territory we work in. Some of these we recognise ourselves but it is helpful when others outside the organisation let us know of them too.

This year we recognise we have not yet made our communication as inclusive and understandable as it should be. We don't think we are sufficiently approachable for people who aren't part of our established networks. We have used some experimental methods for holding large scale conversations with external partners that some people felt unprepared for and distressed by. We have missed opportunities through being over-busy and disorganised. We still struggle with how to avoid internal siloes. We are at present not sure what governance should look like for the foundation. Perhaps most significantly, we have got 'stuck' at times and have struggled to shape new work collaboratively and get money, resources and learning out into the field. Our financial statements are evidence of this, showing a decline in programmatic spend.

What this is all telling us

“Thoughts began to form about the underlying dynamics – and pretty soon I could see through my mind's eye the pattern everywhere I looked”

Emma Crick of Untold Story Hull blogging for us

We are learning about what this work is, how to do it and what kind of organisation we need to be.

We have understood in an intellectual way for some time that we are part of the systems we seek to influence but this has come home to us with more emotional force this year as we have been exposed to more critical thinking about the role of philanthropy, from within our own networks (we invited it through our governance lunches) and from further afield. We have become more and more aware of “the privileged space we hold in an unequal system” as Julian puts it. Who are we to have control over this resource?

Themes of democracy, control and participation have been emerging across all our work this year. In the field action inquiry we are asking how to decolonise systems thinking and systems change. In knowledge, we are questioning who gets to decide what is researched and how, what counts as evidence, whose voice has credibility and what gets counted. These are all questions relating to diversification of perspective and control – these are essentially power questions.

They have led us to focus considerable attention on participatory methods of research, decision making, dialogue and resourcing (participatory grant making) and this is a theme that will continue into the year ahead.

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Our own feelings about our position in the system reconfirm for us what we have learned previously about the emotions that this work brings to the surface.

“If you have experienced real powerlessness, if your voice has been consistently ignored, it can feel immensely painful to explore. And this is true also for people who have held power – acknowledging the true impact of our power and also the limitations of it is hard for us all”.

Jess, writing about learning from the power action inquiry

Given these issues of power, control and participation, we have questioned how we should inhabit our role in the work day-to-day. There is a balance to be struck between leading and listening. Sometimes we have been asked to step forward and to offer more of a lead. Sometimes we are the only organisation with the freedom to do this. One of our associates asked “Do we spend too long trying to build a consensus sometimes? Do we ignore the signals when others are authorising us to take a lead?” Perhaps the right approach is summed up here by Alice and Habiba, reflecting on the place work:

“We’ve learnt that if you don’t know what to do and want to embrace uncertainty and remain open to what emerges, then clarity is needed elsewhere – for example about processes – structured support and reflection are also essential”.

Alice and Habiba, writing about what we’ve learned from our place work

We have also learned about the vital importance of giving critical attention to (mostly hidden) underlying assumptions or worldviews.

“Whenever we assemble frameworks to make sense of the world, we make a number of decisions which bear the fingerprints of our values, assumptions and prejudices. We construct knowledge rather than simply discover it, and our own work on ‘severe and multiple disadvantage’ – a term we invented, and which has no intrinsic value beyond what we decide to give it – is a clear example of this”.

Oliver, blogging about the knowledge action inquiry

If we could ‘see’ these assumptions, understand that they are not fixed and shift to radically different ones, something radically different would inevitably follow. One partner mused this year on what would happen if people facing extreme disadvantage were commonly viewed as prophets. Where would we be now if that was the case?

In more practical terms, we have been cultivating our stock of approaches and methods for doing the work. Some of the most useful this year have been ORSC (Organisation and Relationship Systems Coaching), Art of Hosting, participatory discourse analysis (pioneered by our own Alice Lemkes) and Organization Workshop, as well as Deep Democracy, which we have been using for some time.

Most excitingly, we have a strong sense that wider change is afoot in the world and that we are a part of this – perhaps helping to bring this newness into being, perhaps riding on its coattails – we are not sure which. The language of systems change is everywhere now. It is ok, even increasingly mainstream to talk about uncertainty and complexity and power. Where before there was a sense of panic at the disappearance of the old, new progressive paradigms are being described and fleshed out. We feel a sense of optimism despite the many challenges.

Where it takes us next

“My acid test for any would-be solution to a social problem is whether it reproduces or disrupts the dynamics that created the problem in the first place”

Julian on governance

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We are at a point where we feel increasingly confident in our approach, which might be described as ‘helping to create the conditions in which people want to, feel able to, and are free to act systemically’ to change the dynamics that perpetuate severe and multiple disadvantage

We are ready to stop doing some of the things we have done so far because we now understand that they may have been helping to hold current ways of thinking and acting in place. We have a developing sense of conviction about what is needed to create radical change. We intend to focus our resources, both human and financial, where we feel this strong sense of conviction about what it takes to fulfil our mission

We have already confirmed our commitment to **‘places’** as a key way of organising our work and in the coming year we will deepen our engagement. In the places in which we work we connect with the reality of systems as they are now, and we act in solidarity with people doing the difficult work of intervening to change things for the better. We are solidly committed to this work and want to find ways to gradually shift control of how our resources are used to groups of people who understand Gateshead, Barrow, York, Barking or Manchester more deeply than we ever could.

In addition, people tell us they deeply value time outside of daily life and work to reflect, to connect with others, to learn and to develop ideas. In collaborative **‘spaces’** optimistic visions of a different future can be shaped and we can work out together what it might take to get there. In other words, in dialogue, people can collectively identify and start to address some of the big issues standing in the way of systems change for people facing severe and multiple disadvantage. We think we are getting better at identifying the processes and methodologies that enable this kind of work, and which help people to view themselves as part of a network or movement for change.

Places and spaces will therefore be the two containers for our work in 2019-20 and beyond.

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.

Our vision is of a society where everyone has the opportunity to live a rewarding life.

Our mission: Lankelly Chase is an independent foundation working in partnership with people across the UK to change the systems that perpetuate severe and multiple disadvantage.

Our belief: All people can thrive in the right conditions.

Our strategic goal: Systems that are effective in responding to the interlocking nature of severe disadvantages such as homelessness, drug misuse, violence and abuse and mental ill health.

Values

Determined: real change takes tenacity, kindness and commitment. We work with humility and the knowledge that there are no simple answers.

Open: we want to build relationships based on shared humanity, kinship and respect. We are always open to new ideas and evidence and we share whatever we learn for the benefit of everyone.

Reflective: we want to find out what really works. We challenge assumptions and we use feedback as a powerful tool for learning.

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 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 three-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 have been recruited through external competition. Appointments are made based on the skills, values and connections that the Board decides are required to manage the Foundation and develop its work.

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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 three sub-committees (all of which meet three times a year):

- The Investment Committee to oversee the management of the Foundation's assets.
- The Resources and Risk Committee to oversee the main risk and audit requirements, and to monitor and review budgets 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 Resources 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. The Board have agreed to appoint an external agency to carry out an internal audit function and this process is being managed by the Resources and Risk Committee. 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 Board review our strategy, governance and work practices regularly and seek feedback on our effectiveness through stakeholder insight reports. We also accept that the initiatives 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 (recognising that there are no unalloyed successes or failures).

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.

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 lives.

The LankellyChase Foundation

Review of grant activity

In 2018-19 grant proposals were reviewed and approved by the Executive Committee. The Executive Committee is held monthly, with most of the team in attendance.

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 above £5,000 and 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 below £5,000 can be made at the discretion of the Directors and the Chief Executive and are reported to the Executive Committee meeting.

Grants were awarded in the year as follows (some grants recorded against the strategic areas of the 2016/17 programme of work during transition into new strategic areas):

Organisation	Grant amount £	Strategic area	Description
Homeless Link	2,000	Field	To engage a facilitator to deliver a policy workshop for the MEAM (Making Every Adult Matter) coalition.
Forum for the Future	300,000	Field	Two-year development funding for the School of Systems Change.
Centre for Criminal Appeals (CCA)	20,000	Power	To host a retreat for the families that the CCA are supporting.
National Survivor User Network (NSUN)	30,000	Power	To support operational costs.
JustLife	90,000	Power	Core funding for two years.

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Church of England Children's Society	53,000	Field	Facilitation and residential costs for the System Changers programme.
Barrow Cadbury Trust	20,000	Power	Two-year support for the Funders for Race Equality alliance secretariat.
Homeless Link	298,503	Field	Two years' core funding for the MEAM coalition.
Holy Cross Centre Trust	110,000	Power	To support organisational growth, including recruitment, evaluation and new funding streams.
The Social Change Agency	40,000	Power	Two-year grant funding to support a network for social movements and people interested in co-production, including two annual convenings.
Camerados	180,000	Power	Three-year grant to support learning and governance functions.
Bureau of Investigative Journalism (Bureau Local project)	310,500	Power	Three-year core funding to support the sustainable growth of a network of investigative journalism that will shine a light on the systemic failures that affect the most vulnerable in society and amplify the voices of people currently missing from media reporting.
Nelson Trust	25,000	Knowledge	To support the sex worker outreach project in an interim phase before new funding is secured.

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Unlimited Potential	150,000	Place	To support the next phase of the Elephants Trail project in Manchester
St Mary's (Bramall Lane) Community Centre	83,000	Power	Core funding for a further year to allow St. Mary's to complete the learning journey they have been on over the last six years.
Mayday Trust	100,000	Power	Core funding for a further year as Mayday develop their innovation partnerships and the personal transitions service.
Corra Foundation	1,000	Place	To support an event in Scotland on the Civil Society Futures inquiry.
BTEG (Black Training and Enterprise Group)	75,000	Power	To fund EQUAL, Action for Race Equality in the Criminal Justice System.
The Cyrenians Ltd / York Centre for Voluntary Service	33,000	Place	To continue supporting the Multiple Complex Needs Network in York.
Real Insight	98,447	Power	Tapered funding over an 18-month period to enable Real Insight to move towards independence.

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New Economy Organisers Network (NEON)	270,000	Field	A two-year joint inquiry between NEON and Lankelly Chase into how to build the leadership and capabilities of communities facing severe and multiple disadvantage.
Birmingham SEMH Pathfinder	123,600	Place	Core support for the Pathfinder work in the form of a pot of money to be drawn down flexibly over the next year.
The Cyrenians Ltd	45,000	Power	To provide resourcing for three activities undertaken by the Multiple Complex Needs Network in York.
Public Law Project	66,411	Power	To develop a next phase of the work to support small NGOs to use and understand public law, building on the learning so far.
Unlimited Potential	12,000	Power	To fund costs of sharing and spreading learning.
Barking and Dagenham 'place' work – various grantees – including Collaborate CIC	265,000	Place	To support partners in Barking and Dagenham to answer the question 'how do you change outcomes identified as a priority by residents' (including through a data exercise, a Systems Changers programme and a participatory grant making pot.
Revolving Doors Agency	287,000	Knowledge	Continued core funding.

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NSUN	15,000	Power	Consultancy costs relating to NSUN's organisational restructure.
Race on the Agenda (ROTA)	5,000	Field	For exploratory work about how systems thinking could be useful in the service of race equality work.
Runnymede Trust	40,000	Unanticipated opportunities	The next phase of work on communications for race equality that arose through collaboration between the Funders for Race Equality alliance and CORE (Coalition of Race Equality Organisations).
BAC-IN	7,028	Knowledge	To host a conference to profile 'Project Ahryzen' in Nottingham.

Financial report

The trustees authorised a total budget (excluding investment management and social investment fees) for 2018/19 of £8.501m made up of:

- £7.086m programme costs
- £1.415m staff costs, governance and office costs

There was also a budget of £46,500 for capital expenditure.

Total expenditure, excluding investment management fees was £4.989m. This was made up of:

- £3.669m programme costs (2018: £4.989m).
- £1.320m staff costs, governance and office costs (2018: £1.210m)

£6,000 was spent on capital items in the year (2018: £7,000)

The LankellyChase Foundation

Income

Total income during the year was £3,812,660 (2018: £3,760,403).

Investment income increased from £3.636m to £3.753m. Social investment income fell from £99,000 in 2018 to £51,000, the fall being the impact of the reversal of capital repayments taken as income in prior years. With less cash being held in Foundation bank accounts during the year, other bank interest was £8,005 (2018: £9,447). There was no donation received from Northwood Trust in the year (2018: £18,182) with the result that other income was nil. It is, however, expected that the donation will recommence in 2019/20.

LankellyChase Foundation does not derive any income from fundraising. LankellyChase Foundation does not engage in public fundraising and does not use professional fundraisers or commercial participators. The Foundation nevertheless observes and complies with the relevant fundraising regulations and codes. During the year there was no non-compliance of these regulations and codes and the Foundation received no complaints relating to its fundraising practice.

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 2018/19, the work was grouped in terms of our action inquiries: Knowledge, Power, Place, Field 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.

In 2017/18 a process of a three-year rolling budget was agreed with the Board to facilitate and better reflect multi-year spend strategies. This process continued in 2018/19 and during the 2019/20 budgeting process.

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.

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 £100m in real terms (revalued from a base in 2012) after fulfilling its mission-related programme. The 2012 valuation of the current valuation of the fund is £125m and so this objective is being achieved.

Investment management

The trustees engage four investment management houses to manage a portfolio of assets on a discretionary basis which had a value of £147m including cash balances at 31 March 2019 (2018: £141m). 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.

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In addition, the trustees measure long-term performance against the objective of maintaining the real value of reserves at not less than £100m (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 £6.4m, from £140.9m in 2018 to £147.3m in 2019 (2017: decrease of £0.5m).

Performance

2018/19 has been a year where equity returns have been volatile. The first half of the year showed strong returns. However, in the final quarter of 2018 the fund fell by 7% to a low point valuation of £140m. This was the result of market uncertainty, a slowdown in global growth and increasingly fractious geopolitics involving the US and China; although the US continued to see reasonable growth other areas slowed and declined in performance. UK equities, which form a large element of the fund, performed poorly due to reduced economic growth and volatile exchange rates, both caused by uncertainty around Brexit. Highlighting the current levels of volatility markets picked up in the first quarter of 2019 and the valuation rebounded by 5% to the £147.3m year-end valuation.

Lankelly Chase 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.

Detailed performance figures for our fund managers are available to the end of 2018. Encouragingly, in the December quarter when markets fell badly three of the four fund managers met or exceeded the benchmark return. In the 2018 calendar year one of our managers is performing ahead of the benchmark, one is performing to the benchmark and two have performed below the benchmark. In this period the total fund return was -3%, which was 1.6% below the benchmark return.

For the period since the change of fund managers, three fund managers have outperformed the benchmark in a range of +0.7% to +2.4%. One manager, the largest with £50m of the fund, has underperformed by 0.9%. From 2012 to March 2019 the fund has grown from £119m to £148m. If the current value of the fund was restated to 2012 prices the fund value would be £125m. Fund performance has outstripped inflation in the period, the fund showing an increase after inflation at 2012 prices of £6m.

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In 2016/17, the trustees began an investment strategy review which continued during 2017/18 and 2018/19. The result has been a new investment policy that during 2019/20 will be implemented by a Director of Investment, a new post that will be filled from the second quarter of 2019. Additional focus for the Director of Investment will be to review asset allocations, engage more closely with fund managers and the responsible investment community and ensure the fund performs in a way that meets both the financial return and social investment policy of the organisation.

Social investments

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

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.

However, social investments are not currently considered to be a core part of the investment strategy, although this may change in the light of the new investment strategy. Consequently, no new social investments were made in the year ended 31 March 2019.

Social investments at 31 March 2019 totalled £1,016,903 (2018: £1,094,460).

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 have short term access to cash equal to approximately 12 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. Some of the cash will be held by fund managers and not under the Foundation's direct control but would be accessible within 30 days' notice.

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.

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Lankelly Chase 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. Benchmarked bands are agreed for each post and set by the Resources and Risk Committee. A Pay Committee comprising the senior management team approves individual salary changes up to and including Director roles. The Deputy Chief Executive salary is approved by Resources and Risk and the CEO salary by the Board.

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

Lankelly Chase offers an Enhanced Parental Leave policy offering all new parents the same opportunity to take paid leave, regardless of gender, sexual orientation or how they became a parent (whether through birth, adoption, parental responsibility or surrogacy). This has been made available after passing probation, rather than the original requirement of 12 months of service and reflects a commitment to living the values of the Foundation.

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

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.

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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 26 June 2019 and signed on their behalf by

Myron Rogers
Chair of Trustees

Lankelly Chase

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 2019 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 2019 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 12 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

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Other information (cont.)

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 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.

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Responsibilities of trustees (cont.)

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

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.

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Use of our report

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.

Jonathan Orchard (Senior statutory auditor)
for and on behalf of Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, London EC1Y 0TL
27 June 2019

The LankellyChase Foundation

Statement of financial activities for the year ended 31 March 2019

	Note	All restricted and unrestricted funds 2019 £	All restricted and unrestricted funds 2018 £
Income from:			
Investments	2	3,812,660	3,744,087
Other income		-	16,316
Total incoming resources		3,812,660	3,760,403
Expenditure on:			
Investment management fees		986,526	932,172
Charitable activities	3	4,988,754	5,683,786
Total expenditure		5,975,280	6,615,958
Net expenditure before net gains on investments		(2,162,620)	(2,855,555)
Net gains on investments		5,623,054	1,482,994
Net income/(expenditure) for the year	4	3,460,434	(1,372,561)
Reconciliation of funds:			
Total funds brought forward at 1 April		144,396,742	145,769,303
Total funds carried forward at 31 March		147,857,176	144,396,742

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 16 to the financial statements.

Income and expenditure on both restricted and unrestricted funds in 2018 have been combined as the net expenditure on restricted funds is not considered material to the overall result. There was no restricted income and expenditure in 2019.

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Balance sheet as at 31 March 2019

			2019		2018
	Note	£	£	£	£
Fixed assets					
Tangible assets	10		11,479		18,142
Investments					
Managed funds	11		147,304,226		140,906,524
Social investments	12		1,016,903		1,094,460
			148,332,608		142,019,126
Current assets					
Debtors	13	107,226		105,209	
Cash at bank and in hand		3,064,100		6,511,066	
		3,171,326		6,616,275	
Liabilities					
Creditors: amounts falling due within one year	14	(2,278,954)		(2,507,677)	
			892,372		4,108,598
Total assets less current liabilities			149,224,980		146,127,724
Creditors: amounts falling due after one year	15		(1,367,804)		(1,730,982)
Total net assets			147,857,176		144,396,742
The funds of the charity					
Restricted funds	16		-		-
Unrestricted funds	16		147,857,176		144,396,742
			147,857,176		144,396,742

The financial statements were approved by the Board of Trustees and authorised for issue on 26 June 2019 and are signed on its behalf by:

Myron Rogers
Chair of Trustees

Company registration number 5309739

The LankellyChase Foundation

Statement of cash flows for the year ended 31 March 2019

	Note	2019		2018	
		£	£	£	£
Cash flows from operating activities					
Net income/(expenditure) for the reporting period					
(as per the statement of financial activities)		3,460,434		(1,372,561)	
Depreciation charges		12,615		34,149	
Gains on investments		(5,617,937)		(1,482,994)	
Dividends and interest from investments		(3,812,660)		(3,904,125)	
(Profit)/loss on the disposal of fixed assets		-		-	
Decrease/(Increase) in debtors		(2,017)		42,599	
Decrease in creditors		(591,901)		(69,908)	
Net cash provided by/(used in) operating activities			(6,551,466)		(6,752,840)
Cash flows from investing activities:					
Dividends and interest from investments		3,812,660		3,904,125	
Purchase of fixed assets		(5,953)		(7,053)	
Return or impairments of social investments		77,557		807,575	
Movement on cash within investments		(2,354,103)		(1,290,849)	
Proceeds from sale of investments		45,763,233		32,490,143	
Purchase of investments		(44,188,894)		(29,234,614)	
Net cash provided by/(used in) investing activities			3,104,500		6,669,327
Change in cash and cash equivalents in the year			(3,446,966)		(83,513)
Cash and cash equivalents brought forward at 1 April			6,511,066		6,594,579
Cash and cash equivalents carried forward at 31 March			3,064,100		6,511,066

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2019

1. Accounting Policies

Statutory information

The LankellyChase Foundation is a charitable company limited by guarantee and is incorporated in the United Kingdom.

The registered office address and principal place of business is Greenworks, Dog and Duck Yard, Princeton Street, London, WC1R 4BH.

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.

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

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.

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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.

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.

Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

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

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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.

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.

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2. Income from investments

Income from investments

	2019 £	2018 £
Listed investments	3,687,884	3,584,049
Interest on cash held as part of the investment portfolio	65,567	52,016
Bank interest	8,005	9,447
Social investment income	51,204	98,575
Total investment income	<u>3,812,660</u>	<u>3,744,087</u>

Interest on cash includes income received from Index Linked Treasury bonds that have been held during the year.

All income from investments is unrestricted.

3. Expenditure on charitable activities

All expenditure on charitable activities falls under the heading of programme costs. For 2018/19 grants continue to be split into the main areas of Who, Power, Field, Place, Communications and Learning, which it is felt is meaningful for the way that the Foundation operates.

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.

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:

	2019 £	2018 £
Programme-related costs		
Strategic areas:		
Knowledge	499,290	588,354
Power	1,244,172	1,112,139
Field	990,883	1,136,314
Place	760,310	878,129
Grants	(310)	327,365
Comms	135,664	116,304
Learning	50,879	73,710
Associates	-	19,180
Grant Development	8,077	-
General Development	-	21,882
Social investments impairments & reversals	(20,000)	200,000
	<u>3,668,965</u>	<u>4,473,377</u>
Governance costs (note 6)	109,858	73,298
Support costs (note 7)	1,209,931	1,137,111
	<u>4,988,754</u>	<u>5,683,786</u>

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4. Net income/(expenditure) for the year

This is stated after charging/(crediting):

	2019	2018
	£	£
Depreciation	12,615	34,149
Loss on disposal of fixed assets	-	-
Operating lease rentals		
Property	75,048	65,583
Other	9,454	357
Auditor's remuneration (excluding VAT):		
Audit	11,400	11,150
VAT on audit cost	2,280	2,230
	<u>109,858</u>	<u>73,298</u>

5. Governance costs

	2019	2018
	£	£
Legal expenses	2,760	13
Auditor's remuneration	13,900	13,700
Membership of PRI	1,008	984
Chair and trustee recruitment	-	16,001
Trustee expenses reimbursed	5,064	7,283
Trustee training	-	845
Trustee meeting costs	12,369	9,727
Investment advisor fees	73,790	23,857
Other governance related administration expenses	968	889
	<u>109,858</u>	<u>73,298</u>

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6. Support costs

The key elements of support costs are set out below.

	2019	2018
	£	£
Staff costs (note 7)	971,000	851,992
Recruitment costs	12,885	14,076
HR-related costs	19,158	31,577
Premises costs including utilities and repairs	93,108	80,925
Legal and professional costs	10,960	14,382
Travel, subsistence and hosting of events	6,484	6,144
Training and conferences	29,800	58,973
Subscriptions and memberships	22,829	17,326
Telephone, postage, stationery and printing	18,836	16,206
Website and IT costs	11,471	10,708
Bank charges	734	655
Exchange rate differences	51	(2)
Depreciation	12,615	34,149
	<u>1,209,931</u>	<u>1,137,111</u>

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

Staff costs were as follows:

	2019	2018
	£	£
Salaries	756,465	663,845
Redundancy and termination costs	-	31,696
Social security costs	81,323	65,997
Employer contribution to defined contribution pension schemes	79,130	65,441
Temporary staff	51,201	22,727
Other forms of employee benefits	2,881	2,286
	<u>971,000</u>	<u>851,992</u>

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:

	2019	2018
	No.	No.
£60,001 - £70,000	3	-
£80,001 - £80,000	-	1
£90,001 - £100,000	1	1
	<u>1</u>	<u>1</u>

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

The total employee benefits including employer pension contributions and employer National Insurance contributions of the key management personnel were £424,367 (2018: £481,968).

The Chief Executive received a gross salary after salary sacrifice of £98,808 with employer pension contributions of £16,319 (2018: £95,466 and £15,767 respectively).

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

	2019	2018
	No.	No.
£30,001 - £40,000	1	-
£60,001 - £70,000	-	2
£70,001 - £80,000	2	1
£80,001 - £90,000	1	-
£90,001 - £100,000	-	1
£110,001-£120,000	1	1
Total	<u><u>5</u></u>	<u><u>5</u></u>

Trustees' expenses represent the payment or reimbursement of travel and subsistence costs totalling £15,509 (2018: £15,129) incurred by 10 members relating to attendance at meetings of the trustees (2018: 10).

The Foundation trustees were not paid nor received any other benefits from employment with the Foundation in the year (2018: £nil).

9. Staff numbers

The average monthly number of employees (head count based on number of staff employed) during the year was 15 (2018: 13).

10. Related party transactions

There were no related party transactions in the year.

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11. Tangible assets

	Leasehold improvements £	Furniture & equipment £	Total £
Cost			
At 1 April 2018	133,849	70,693	204,542
Additions	-	5,953	5,953
At 31 March 2019	133,849	76,646	210,495
Depreciation			
At 1 April 2018	127,217	59,183	186,400
Charge for the year	6,632	5,983	12,615
At 31 March 2019	133,849	65,166	199,015
Net book value at 31 March 2019	-	11,480	11,480
Net book value at 31 March 2018	6,632	11,510	18,142

All assets are used for charitable purposes.

12. Investments – managed funds

Investments comprise:

	2019 £	2018 £
Fair value at 1 April	136,742,089	138,514,624
Additions at cost	44,292,612	29,234,614
Disposal proceeds	(45,866,951)	(32,490,143)
Net gain on change in fair value	5,617,938	1,482,994
Fair value at 31 March	140,785,688	136,742,089
Cash balances	6,518,538	4,164,435
Total Market Value	147,304,226	140,906,524
Historic cost at 31 March	132,495,206	125,355,512

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13. Investments - social investments

The movement in social investments held by the Foundation during the year ended 31 March 2019 and the previous year are shown in the two tables below:

Year end 31 March 2019	At 1 April 2018 £	Purchases in year/ (return of capital) £	Impairment £	At 31 March 2019 £
Big Issue Invest	144,460	(52,933)	-	91,527
Charity Bank	200,000	-	-	200,000
Ethex	-	-	-	-
Social Justice and Human Rights Centre	500,000	-	-	500,000
Resonance Real Lettings Property Fund	250,000	(24,624)	-	225,376
Fair Finance	-	-	-	-
	1,094,460	(77,557)	-	1,016,903

At the year-end, the Foundation had committed to no further social investments (2018: £nil) to be made in the following year.

Year ended 31 March 2018	At 1 April 2017 £	Purchases in year/ (return of capital) £	Impairment £	At 31 March 2018 £
Peterborough Social Impact Bond	345,860	(345,860)	-	-
Big Issue Invest	156,175	(11,715)	-	144,460
Charity Bank	200,000	-	-	200,000
Ethex	-	-	-	-
Social Justice and Human Rights Centre	500,000	-	-	500,000
Bristol Together CIC	250,000	(250,000)	-	-
Resonance Real Lettings Property Fund	250,000	-	-	250,000
Fair Finance	200,000	-	(200,000)	-
	1,902,035	(607,575)	(200,000)	1,094,460

14. Debtors

	2019 £	2018 £
Other debtors	66,564	71,071
Prepayments	38,336	29,883
Accrued income	2,326	4,255
	107,226	105,209

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15. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	12,492	28,741
Grants payable within one year	2,004,669	2,228,818
Taxation and social security	-	-
Other creditors	-	-
Accruals	261,789	250,118
	2,278,950	2,507,677

Reconciliation of movement in grants creditors

	2019 £	2018 £
At 31 March 2018		
Grants falling due within one year	2,228,818	2,202,849
Grants falling due after more than one year	1,730,982	1,794,507
Total grants creditor	3,959,800	3,997,356
Prior years' grants cancelled/returned in year	(67,300)	(40,171)
New grants awarded in year	3,155,489	3,887,039
Grants paid in year	(3,675,516)	(3,884,424)
At 31 March 2019	3,372,473	3,959,800
At 31 March 2019		
Grants payable within one year	2,004,669	2,228,818
Grants payable after more than one year	1,367,804	1,730,982
Total grants creditor	3,372,473	3,959,800

16. Creditors: amounts falling due after one year

	2019 £	2018 £
Grants payable (all payable in 2-5 years)	1,367,804	1,730,982
	1,367,804	1,730,982

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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 2018 £	Incoming resources & gains £	Outgoing resources & losses £	At 31 March 2019 £
Unrestricted funds	144,396,742	9,435,714	(5,975,280)	147,857,176
Restricted funds	-	-	-	-
Total funds	144,396,742	9,435,714	(5,975,280)	147,857,176

All income and expenditure in the year related to unrestricted funds.

b. Prior year

	At 1 April 2017 £	Incoming resources & gains £	Outgoing resources & losses £	At 31 March 2018 £
Unrestricted funds	145,759,303	5,245,473	(6,608,034)	144,396,742
Restricted funds	10,000	(2,076)	(7,924)	-
Total funds	145,769,303	5,243,397	(6,615,958)	144,396,742

There was net restricted expenditure in 2018 of £10,000 (2017: Net income £10,000). The £10,000 net expenditure represented the use of £10,000 donated in 2017 towards the cost of a conference.

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18. 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	
	2019	2018	2019	2018
	£	£	£	£
Less than one year	86,705	65,559	5,291	3,749
One to five years	346,820	262,236	12,754	1,068
Over five years	28,902	21,853	-	-
	<u>462,427</u>	<u>349,648</u>	<u>18,045</u>	<u>4,817</u>

19. 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.