



The LankellyChase Foundation

**Annual report and financial statements
for the year ended 31 March 2014**

The LankellyChase Foundation

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Legal and administrative information

The LankellyChase Foundation ('the Foundation') is a company limited by Guarantee and not having a share capital (no. 5309739). It 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 2014 and also include changes up to the date on which the accounts were signed.

Trustees	Dame Suzi Leather	Chair
	Andrew Robinson (A, I)	Vice Chair
	Hilary Berg	Appointed 5 June 2013
	Morag Burnett (A, R)	
	Paul Cheng (I)	Appointed 5 June 2013
	Martin Clarke (I, R)	Appointed 5 June 2013
	Paul Cotterill	Resigned 26 June 2013
	Robert Duffy (R)	Appointed 5 June 2013
	Victoria Hoskins (I)	
	Marion Janner (A)	
	Peter Latchford (R)	
	Clive Martin (A)	
	Jane Millar	Appointed 5 June 2013
	Kanwaljit Singh (A)	
	Simon Tucker (I)	Appointed 5 June 2013

Co-optee	Jake Hayman (I)	Appointed 5 June 2013
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(A) indicates members of the Administration Committee

(I) indicates members of the Finance and Social Investment Committee

(R) indicates members of the Audit and Risk Committee

Staff team	Julian Corner	Chief Executive and Company Secretary to 23 October 2013
	Lindsey Barker	Finance Officer, to 23 May 2013
	Karen Crompton	Office Manager, from 21 May 2013
	Marian Durban	Financial and Administration Manager to 30 June 2013
	Alice Evans	Programme Director, Systems Change, from 5 May 2013
	Karen Flippance	PA/Information Officer, to 30 June 2013
	Jane Gibson	Administrative Secretary, to 30 June 2013
	Ania Jeleniewska	Finance Officer, from 20 January 2014
	Sara Longmuir	Finance and Administration Director, from 1 August 2013, and Company Secretary from 23 October 2013
	Habiba Nabatu	Programme Support Officer, from 12 June 2013
	Lisa Reed	Interim Programme Director, Rights and Equalities (maternity cover), from 17 September 2013
	Cathy Stancer	Programme Director
	Dan Vale	Programme Director, Knowledge and Learning
	Brian Whittaker	Programme Director

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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
Charity registration number	1107583
Auditors	Kingston Smith LLP Devonshire House, 60 Goswell Road London EC1M 7AD
Bankers	The Royal Bank of Scotland PLC St Giles Oxford OX1 3ND Lloyds TSB Bank plc Market Place Didcot Oxfordshire OX11 7LQ
Legal advisers	Bates, Wells & Braithwaite 2-6 Cannon Street London EC4M 6YH
Investment managers	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 Schroders & Co. Limited 3 rd Floor, 100 Wood Street London EC2 7ER

Report of the trustees

The trustees present their report together with the accounts of the LankellyChase Foundation for the year ended 31 March 2014. The legal and administrative information on pages 2 and 3 forms part of this report.

Introduction

LankellyChase Foundation has tried to rethink from first principles its role in tackling social disadvantage. We know that even when the financial context was much healthier many of the issues on which we focused did not shift discernibly at a societal level. Many of the projects we funded failed to make the margins to mainstream journey. Many of the organisations with whom we worked remained beleaguered and powerless.

Interventions vs. systems

Our experience, we believe, reflects a wider frustration that the methods of the past have not made sufficiently serious inroads on entrenched inequality and exclusion. In particular, the faith of governments, public agencies, voluntary organisations and foundations in the power of individual interventions to create social change appears to have been overly optimistic. Indeed, it is now clear that this atomised response has helped to distract attention from deeper structural and systemic failings in incumbent institutions that continue to hit the most marginalised hardest.

Best and worst of times

Austerity provides the worst and best context within which we can start to shift from a 'quick fix' mentality to one that can deliver collaborative accountability to those we need to serve. It is the worst context because we are seeing an accelerating erosion of the rights and support on which marginalised people rely. And it is the best context because few people can argue that the status quo is sustainable. This offers us a possibly unique opportunity to disrupt the dynamics that have created a failing system. Yet what has still to be achieved is any consensus at a local and national level of what should emerge in its place.

Charities as agents of systems change

Our tentative response is guided by two 'insights'. First, charities' radical connection with the lives of disadvantaged citizens reveals unintended consequences that are hidden from the view of most system leaders. By standing on the faultlines, charities have a unique vantage point on what drives failure. Our hypothesis is that charities could exploit this position to act as agents of system change. Indeed this is a catalytic role that many charities themselves desperately want, but they lack the evidence and voice that would lend their analysis credibility and power with decision makers. This, in itself, is part of the process of exclusion.

A good example, in the work we are now funding, of an attempt to use a charity's insight to drive change is Advice UK. They are working with local advice providers to understand the nature of the demands on their services. Through this lens, the request for advice becomes an indicator that something may have gone awry elsewhere in the system. By aggregating and analysing this data, Advice UK are able to discern patterns which indicate where 'failure demand' is being generated, and by taking this evidence to wider services they hope to stem the demand at source. This sets in train a virtuous service improvement loop between advice providers and wider services which in time should limit but not eliminate the need for the former.

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Positive deviants

Our second insight has been to view some charities as 'positive deviants' who have resisted the pull of conformity and found a way of doing the right thing despite rather than because of the system. The lessons to learn from positive deviance are, again, less about scaling a model and much more about understanding the conditions of success that gave rise to that deviance. We are convinced that there are small charities with insights that represent a profound challenge to the dominant paradigm from which they are excluded (like their disadvantaged clients) but whose influence on the wider system, if properly understood and supported, could be transformational.

For example, we have recently started supporting Wandsworth Community Empowerment Network to improve black and minority ethnic (BAME) mental health. After years of working in their community, with very little resource, they had understood that many local people were far more likely to trust and seek support from faith leaders than from public services. Yet faith leaders knew little or nothing about the public services being delivered in their communities, and public services were wholly ignorant of the role of faith leaders. The solutions that they have developed, such as an Improving Access to Psychological Therapy (IAPT) service in a Mosque and Systemic Family Therapy delivered by pastors from black majority churches, could never have come from a standard commissioning model. They have arisen out of a co-production process made possible by pre-existing conditions of deep community knowledge and trust.

Alternative ways of doing things

In the critical yet dispersed mass of such organisations, there is an emergent sense of an alternative way of doing things, one that challenges the transactional and process-driven norm. This alternative is highly relational, it seeks to multiply resource by drawing in social capital, and it stands for a radically different way of valuing people's capabilities. These ideas are increasingly posited by think tanks, but our contention is that they are embodied in the work many charities are already doing under the national radar.

In turn, this is fuelling a growing expectation among our grantees that we, as their common funder, will help them piece together a new vision that can reframe the problem and so legitimise radically different solutions. This is starting to require a very different mindset from us: far less programmatic, far more adaptive to what we are learning, far more attentive to the unexpected, and far more engaged as a fellow traveller. It is a more exposed role for a foundation, not least because we aren't able to see where it will take us. But if foundations won't take the risk of modelling the new behaviours needed to promote change, then we can hardly expect those behaviours of others.

Conclusion

In this report, we outline a number of rapidly developing partnerships, initiatives and ideas that we hope will start to bear fruit over the next three to four years. It is too early to tell what the nature of their impact will be, but what is certain is that they will force us and others to start redefining what we mean by impact, on whose terms success should be measured, and indeed how far a system or intervention should be driven to deliver predefined results. We do not want to bring rigid assumptions about these questions, especially as our work needs to produce learning that is different from the past and therefore likely to be unexpected and probably uncomfortable.

We would like to thank all of the partners with whom we are engaged for their courage and perseverance in the face of many challenges, and for providing inspiration and hope to us, many others and above all to those people with whom they work.

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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 grant programmes and have agreed the following mission statement:

"Our mission is to bring about change that will transform the quality of life of people who face severe and multiple disadvantage.

By severe and multiple disadvantage we mean the persistent clustering of severe social harms, particularly homelessness, substance misuse, mental and physical illness, extreme poverty, and violence and abuse."

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. The two Settlers were business colleagues and from the start, the trusts had a shared administration. Over the years, they worked closely together, with their grant-making policies complementing each other. On 9 December 2004, the two trustee bodies amalgamated the trusts and the new LankellyChase Foundation was incorporated.

The new Foundation has sought to be focused and strategic in its response to an increasingly complex environment. Our commitment to transforming the lives of the most disadvantaged has intensified to the point that this is now the defining aim of our work.

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. The Chair is appointed by the trustees through external competition and serves for a maximum of two 3-year terms.

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

An induction programme is 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. In addition, a group of trustees meets at least twice a year to consider and decide upon major grant recommendations. The day-to-day administration is delegated to the Chief Executive who is supported by a staff team.

The trustee board has also established three sub-committees:

- The Investment Committee meets ahead of each board meeting to oversee the management of the Foundation's assets
- The Audit and Risk Committee also meets ahead of each board meeting to oversee the main risk and audit requirements
- The Administration Committee meets as required but at least once a year, to oversee the practical administration of the Foundation.

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Risk management

At least once a year, the trustees review the risks facing the Foundation in areas of operations, administration and finance. They identified the potential impact and probability of major risks to which the Foundation might be exposed and are satisfied that appropriate measures and systems to mitigate these risks are in place.

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.

Grant Application Process

The new grants process, approved by trustees in August 2013, is a rolling open call for expressions of interest that closely align with our Theory of Change. Our guidelines emphasise that we are looking for distinctive change-focused ideas that build on the existing Promoting Change Network (PCN) and that we welcome non-traditional approaches. The PCN brings together pioneering organisations across the country engaged in activity that puts LankellyChase's Theory of Change into action. We do not set limits on the amount of the grant request and we do not have an application form, rather encouraging applicants to apply using a range of methods including emails, phone calls, videos and letters.

Decisions on grants up to £50,000 are made by the CEO, Chair and one other trustee. This means that smaller and/or time-sensitive proposals can be dealt with between grant meetings. For grants over £50,000, the process takes place in two stages but the first stage is designed to be light touch responding to only six questions, whilst the second stage has a longer lead-in period for relationship building and development of the final proposal. Most projects funded under the new process join the PCN, however membership is decided on an ad hoc basis. We have a small number of developmental projects and 'one-off' pieces of work which do not fit neatly into the PCN.

We want the new approach to make us accessible and enable us to reach pioneering individuals and organisations in the charitable sector as well as genuinely welcome those outside the established voluntary sector. The new approach still allows us to proactively seek out or follow up promising ideas we hear about in the course of our work.

Review of Grant Activity

In 2013/14, the Foundation's grant-making was still in transition and the process described above had not been fully implemented. The grants marked PCN below were approved through the Promoting Change Network process initiated in the previous year. Those grants marked with * were either approved by the CEO alone or by the CEO, Chair and a trustee, as described above. Finally, grants marked + were approved in investment committee or board meetings.

Organisation name	Grant amount £	Description
Advice UK ^{PCN}	168,000	Use a systems thinking method to analyse and change the way that systems deal with people experiencing severe and multiple disadvantage locally.
Black Mental Health UK Ltd *	5,000	One-off contribution towards printing and distributing <i>The Solution</i> magazine.

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Organisation name	Grant amount £	Description
Can Cook Community Interest Company +	50,000	Capital costs for constructing a Can Cook kitchen.
The Centre for Social Justice *	18,000	Provide three events on ethnic inequalities in mental health at the 2013 Liberal Democrat, Labour and Conservative party conferences.
Cornwall Voluntary Sector Forum ^{PCN}	125,000	Rural action learning project to influence local commissioners through the VCS Commissioning Board.
The Disabilities Trust ^{PCN}	150,000	Delivery of brain injury training to frontline services focused on supporting vulnerable and disadvantaged adults in prison.
Edinburgh Cyrenians *	10,000	Towards the evaluation of their PCN project.
The Equality Trust *	25,000	To enable the Equality Trust to invest in The Spirit Level Film Company Ltd.
Family Rights Group ^{PCN}	64,280	Development grant for the Struggling Families Alliance that will work with academics, specialising in strengths-based social work, to improve knowledge of marginalised families' experiences and capabilities.
The Foundation for Families ^{PCN}	165,000	Co-production programme to transform radically 'the system' to improve the outcomes and experiences of children and adults living with chronic domestic abuse.
Griffins Society *	15,000	For the creation of practitioner research fellowships to enable frontline workers to research aspects of disadvantage affecting women in the criminal justice system.
IPPR (Public Services for disadvantaged groups) *	25,900	Research to analyse the strengths and weaknesses of a number of strategic options for reforming public services and improving support for disadvantaged groups.
Justlife (CIC and Foundation) ^{PCN}	148,000	A research project to explore the impact of temporary accommodation on the health and well-being of people experiencing multiple disadvantages.
Kirkman Concert Society +	35,000	Single instalment grant towards core costs of the organisation in 2013/14.
Kirkman Concert Society +	35,000	Single instalment grant towards core costs of the organisation in 2014/15.
Kirkman Concert Society +	500,000	Final single instalment grant to enable the Society to create an investable endowment.
Lemos & Crane +	84,350	Working with Thames Reach to explore how new and emerging digital technologies can engage and empower homeless people.
Making Every Adult Matter (MEAM) ^{PCN}	280,671	Strengthen the collective capacity of the four MEAM organisations to reflect the experience of members and their beneficiaries and engage government on the policy issues that cut across individual areas of expertise and have most impact on people facing multiple needs.

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Organisation name	Grant amount £	Description
The Nelson Trust ^{PCN}	150,000	Increase the capacity of this women's centre to engage with women facing severe and multiple disadvantage referred through non-criminal justice pathways.
Providence Row Housing Association ^{PCN}	159,000	Recruit user-consultants to form a borough-wide working group which will provide a pool of expertise on issues relating to severe and multiple disadvantage to services, professionals and decision makers.
Resolving Chaos Community Interest Company ^{PCN}	150,000	Core funding for the organisation to share and develop an economic tool to create a local business case for investment in services for those facing severe and multiple disadvantage.
ResultsMark *	15,000	Developing a training/operations manual for a new ambitious programme of collaborative, whole systems improvement for people with more complex needs.
Social Finance ^{PCN}	150,000	Development work to establish a number of social impact bonds to reduce care entry for troubled adolescents and to prevent the associated negative outcomes.
Together Women Projects (Yorkshire and Humberside) ^{PCN}	186,000	Co-production project working with a group of young women facing severe and multiple disadvantage to enable them to design their own solutions to prevent repeated patterns of victimisation, poverty, poor mental health and exclusion.
Together Working for Wellbeing *	10,000	Contribution towards the administration of Professor Stephanie Covington's visit to the UK in March 2014 to promote trauma-informed responses to women with complex needs.
Transforming Choice Community Interest Company ^{PCN}	150,000	Provide a bed space in a residential detox and rehab service for the most excluded street drinkers and evaluate the effectiveness of this service in transforming their lives.
Vestia Community Trust ^{PCN}	165,000	Research analysing cashable savings to generate a jointly commissioned 'payment from savings' service helping families facing severe and multiple disadvantage to transform their lives.
Wandsworth Community Empowerment Network ^{PCN}	200,000	Operationalise a co-production framework to bridge the gap between service providers and community groups and to design and deliver public services that can meet the needs of marginalised members of the community.
WAVE Trust ^{PCN}	150,000	Understand key transitions or turning points and how systems could provide positive outcomes following these transitions.
WomenCentre Limited ^{PCN}	130,000	Develop a new narrative around women facing severe and multiple disadvantage, to engage with key national agendas and to make the case for women-centred solutions.
Total grants awarded	£3,519,201	

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Grantee feedback

The Foundation has commissioned the Centre for Effective Philanthropy to conduct two perception survey of grantees, one shortly after grant allocation and one towards the end of their projects. The first survey, which reported in January 2014, found that LankellyChase is in the top tenth of all foundations for the strength of relationships, with nearly half of all grantees having contact with Foundation staff at least monthly, twice the proportion of the average foundation.

LankellyChase also scored around the top tenth on working closely and co-productively and helping organisations with ideas about how to assess their work. The Foundation ranked in the top twentieth for understanding the social, cultural and socioeconomic factors that affect its work, and was in the top third of foundations for understanding the field in which grantee organisations work. LankellyChase was in the top quarter of foundations in advancing the state of knowledge in grantee fields.

Overview of aims and outcomes 2013/14

Beyond awarding the grants outlined above, LankellyChase has pursued a number of strategic aims. The outcomes described set out what we did, what we have learned and, where relevant, what further plans we have for 2014/15. In most cases it is too early to identify 'impact', in so far as that relates to outcomes, as we are cautious at this stage of over-claiming. In future years, we expect to become increasingly clear about what has changed as a result of our activity:

Aim	Outcome
Establish a Promoting Change Network (PCN)	<p>The nature of severe and multiple disadvantage suggests that individual organisations will have only part of the answer, and that a wider collaboration is needed if we are to grapple with the larger, more endemic issues. The Promoting Change Network (PCN) enables grantees to identify these issues collectively, and to share insights, ideas and encouragement.</p> <p>The PCN is an evolving network currently with 31 grantees and we envisage that it will reach an optimal maximum of 45.</p> <p>The PCN is entering the second year and we have brought it together at two separate 24-hour residentials, where we used the 'open space' format that allows participants to set the agenda and raise the issues that matter to them. We invited external guests with backgrounds in systems design, commissioning, lived experience and journalism, to share varied perspectives, to challenge assumptions and to connect people to different fields.</p> <p>Both residentials were very energetic and positive and the participants appreciated the opportunity to think outside of the confines of their day job or project, and to connect with big ideas and other thinkers.</p> <p>Some key issues identified were:</p> <ol style="list-style-type: none">1. The voice and participation of people with lived experience2. The limitations of current commissioning models, particularly the insistence on scale and measurable inputs/outputs3. The challenge of overcoming institutional inertia and vested interest4. The need for an approach based on people's strengths and capabilities, not their problems and deficits5. The importance of new data that can reframe the problem and validate different types of outcomes6. The need to help reframe or challenge public and media attitudes to the most marginalised.

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Aim	Outcome
	<p>Future residentials will focus on these themes in turn. Our hope is that over time the PCN will become the kernel for a much wider movement of organisations who are committed to changing fundamentally the way the system operates, bringing on board early adopters in the statutory and private sector as well.</p>
<p>Develop an evaluation methodology for our key grants</p>	<p>Many of our grants include a budget for evaluation, and we have provided further funding where the budget has not proved sufficient. We have focused this year on working with grantees to design evaluation and structured learning for their projects, and in some cases have funded extra support to allow them to think through a theory of change.</p> <p>There is a lot of work still to do to establish a sufficiently strategic framework that will allow us to know whether we are capturing the right kinds of data and learning. We are clear that different interventions and issues will require different methods of evaluation, and we are also mindful that much of the data that has been collected in this field has been appropriated to support the functioning of the existing system. We will therefore work closely with partners, such as the Social Research Unit Dartington, to guide us towards a framework that can allow us to generate strategic learning over a sufficiently long timeframe.</p> <p>We have also been engaging with research partners on a number of projects that should help to underpin a new evaluative approach:</p> <ol style="list-style-type: none"> 1. Most obviously, Heriot Watt University has been working throughout 2013/14 on a data profile of people who experience a combination of homelessness, drug misuse, offending and mental illness. This will be launched in mid 2014/15. 2. We have been engaging with partners, such as the Revolving Doors Agency, on the creation of a cross-disciplinary research network on severe and multiple disadvantage. 3. We have funded and supported the Griffins Society to create practitioner research fellowships to enable frontline workers to research aspects of disadvantage affecting women in the criminal justice system.
<p>Deliver the first stages of a special initiative on young people facing severe and multiple disadvantage</p>	<p>We have worked in close partnership with the Social Research Unit Dartington to explore:</p> <ul style="list-style-type: none"> • How severe and multiple disadvantage affects the lives of young people moving towards adult independence • What would work to change that disadvantage • What implications this might have for other systems. <p>Under the direction of an executive group, the partnership has engaged over 140 stakeholders, including many young people themselves, held two convenings, commissioned a history of how the systems affecting young people have evolved, commissioned analysis of the importance of relationships and created an e-book of the findings.</p> <p>A number of important themes have emerged:</p> <ol style="list-style-type: none"> 1. The central importance of the relationship between the young person and the person supporting them 2. The need to disrupt some of the rigid top-down systems that govern support for young people 3. The need for new methods to engage young people as equal voices in the design and commissioning of services

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Aim	Outcome
	<p>4. The importance of a pluralistic approach to support, with no assumptions that some interventions should be privileged over others regardless of evidence</p> <p>5. The need for services that start with the young person, not abstracted outcomes.</p> <p>Key reports from the enquiry will launch in 2014/15 and we will continue to work with the constituency of support created by the project to find ways of implementing its findings.</p>
<p>Deliver the first stages of a special initiative on ethnic inequality in mental health</p>	<p>Building on its longstanding support for black and minority ethnic (BME) led mental health organisations, the Foundation has worked with the Afiya Trust, the Centre for Mental Health and Mind, to commission a thorough consultation with service providers, academics, activists and people with lived experience.</p> <p>This learning experience has enabled us to develop a high level 5-year strategy which is now being developed into action. This includes synthesising high level data on inequality in mental health, correcting the imbalance of evidence for community and peer led responses to the issue through an evaluation programme, supporting local leadership and facilitating community 'conversations', and in the longer term developing a communications strategy that highlights people's strengths.</p> <p>In 2014/15 we will convene an advisory group of key individuals to help oversee the implementation.</p>
<p>Diversify our social investment portfolio and work to align our social investment portfolio more closely with our mission</p>	<p>2013/14 was a period of pause and reflection for the social investment work of the Foundation. The recruitment of new trustees, a social investment advisor and the on-going work to refine the strategy of LankellyChase required the Board to give serious thought to the role of social investment in furthering the mission of the Foundation.</p> <p>A total of £650,000 was committed during the year. Three new social investments were approved:</p> <ol style="list-style-type: none"> 1. Fair Finance: £200,000 to enable Fair Business Loans to provide affordable credit to small entrepreneurs 2. Framework Housing Association, Nottingham: £250,000 to provide move-on accommodation for rent in the East Midlands for people at risk of homelessness. 3. Social Justice and Human Rights Centre Ltd: £100,000 as an additional loan to enable construction work to begin to create the new centre, The Foundry, in the Vauxhall area of London. <p>A new strategic approach will be launched and implemented in 2014/15.</p>
<p>Extend our reach to new and unusual ideas, models and partners</p>	<p>Systems Change</p> <p>We have started to develop a number of ideas and relationships with people and organisations who are not traditional partners of the Foundation. A lot of this work has been designed to ensure that we get a much better purchase on the emerging field of systems change.</p> <p>The Programme Director for Systems Change started in post in May 2013. Since coming into post, she has focused on establishing LankellyChase's understanding of systems change, different methodologies, building links with key systems thinkers, local commissioners, other funders and national policymakers.</p>

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Aim	Outcome
	<p>Research has been funded through IPPR, Synthesis and ResultsMark, alongside a series of debates, to start thinking through some of guiding principles of what a future system could look like. Building on these, LankellyChase is starting to position itself as a strong thinker around future system design, is supporting grantees to think through the specifics of the change they are working to see in systems and how they will approach this. The PCN residential in March 2014 specifically focused on some of these challenges and provided a space for individuals to think through how they can approach this.</p> <p>As we start to collect the learning from grantees, the research and special initiatives, we are developing a strong understanding of failures within the system. We have had a number of opportunities to share this learning with others through face to face meetings, speaking at conferences and articles. Looking forward to the next financial year, we will be thinking about what a future system might look like, what would need to change to enable this to happen, how and what we can do to empower the voice of the individual themselves as well as how we can take this learning to support a whole area approach.</p> <p>By the end of the next financial year, we will have developed the draft of a vision for a future system and started to test out with specific groups what this would mean in practice, identified at least three potential areas to test out our theories as well as continued to support specific pieces of more detailed thinking around systems change and our grantees to think through their role in creating systems change.</p>
<p>Build relevant partnerships with other funders</p>	<p>Strategic litigation</p> <p>Building on the early work of a number of foundations in the field of strategic litigation, LankellyChase is looking at ways to ensure that people facing severe and multiple disadvantage have access to the law to uphold their right to receive services and support and to provide protection against those who might seek to exploit their vulnerability. With that in mind, support is being given to organisations to explore how litigation can be used strategically to hold government and the public sector to account.</p> <p>LankellyChase will feed its learning into a wider network of funders who are trying to build the field of strategic litigation.</p> <p>Women and Girls at Risk</p> <p>Working with members of the Corston Independent Funders' Coalition we are developing an alliance of funders, service providers and others to give a strong and coherent voice to women and girls at risk of a range of poor outcomes and the organisations that support them in national policymaking.</p> <p>We have appointed consultants to develop a blueprint for the actions required to resource and run the alliance, including its governance and structure with a view to it being a functioning entity towards the end of 2014.</p> <p>Child Sexual Exploitation</p> <p>LankellyChase is part of an alliance of funders who want to promote work to prevent child sexual exploitation. This strategy includes three strands of work:</p> <ol style="list-style-type: none"> 1. Service development supporting services to sexually exploited young people through a 'hub and spoke' model

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Aim	Outcome
	<p>2. A knowledge exchange to pool information and practice-based evidence</p> <p>3. Inclusion of participatory approaches within service delivery and support for the development of safe transitions into adulthood for young people who have experienced child sexual exploitation (CSE).</p> <p>LankellyChase is supporting the evaluation of the 'hub and spoke' model through Bedfordshire University.</p>
Build our capability to communicate and engage	<p>As a first step towards a full communications strategy, the Foundation commissioned a stakeholder perception study to benchmark how LankellyChase is viewed externally and how well it is communicating its mission and goals. The Board also signed off the appointment of a Communication Manager, to be recruited in summer 2014.</p>
Build our wider organisational capacity	<p>The Foundation moved its offices to central London in June 2013. This necessitated some turnover in staff, which has allowed it create a number of important roles: a full-time Finance and Administration Director, a full-time Office Manager, a full-time Finance Officer, and a full-time Programme Support Officer.</p> <p>We have also reviewed our governance in the light of our renewed mission, and have recruited six new trustees with expertise in research, social enterprise, investment and communications. These are:</p> <p>Hilary Berg: award-winning communications consultant and Chartered Public Relations Practitioner.</p> <p>Paul Cheng: founder and Chair of SharedImpact and Chair of the European Social Investment Taskforce.</p> <p>Martin Clarke: Executive Director at the Pension Protection Fund (PPF) and Chair of the UK Sustainable Finance and Investment Association (UKSIF).</p> <p>Bobby Duffy: Managing Director of the Ipsos MORI Social Research Institute and Global Director of Ipsos Social Research Institute.</p> <p>Jane Millar OBE: Professor of Social Policy and Pro-Vice-Chancellor Research at the University of Bath.</p> <p>Simon Tucker: advisor on social innovation, entrepreneurship and investment.</p> <p>The Foundation also appointed the following advisor to its Investment Committee:</p> <p>Jake Hayman: founder/CEO to both Future First and The Social Investment Consultancy.</p>

Kirkman Concert Society

The Chase Charity and latterly the LankellyChase Foundation has been the main funder of the Kirkman Concert Society since the beginning of both Chase and Kirkman in 1963. This is the 51st year of our relationship. Kirkman exists "to promote young artists of exceptional talent and, at the beginning of their careers, to provide them with a platform at a major London venue [the Wigmore Hall]". The society also promotes artists to UK festivals, music clubs and orchestras.

The LankellyChase Foundation

The list of careers that it has helped to launch reads like a 'who's who' of British classical musicians: Janet Baker, Richard Rodney Bennett, Ian Bostridge, James Galway, Lesley Garrett, Leslie Howard, Stephen Hough, Stephen Isserlis, Nigel Kennedy, Stephen Kovacevich, Felicity Lott, Roslind Plowright, Melvyn Tan and many others, including major ensembles. Kirckman remains an important rung on the career ladder for future household names.

Kirckman Concert Society has been supported by an annual grant from the Foundation of £35,000. As is evident from this report, the missions of LankellyChase and Kirckman have grown further and further apart, and this has caused the LankellyChase trustees to review their future support. They agreed this year to make a final grant in 2014/15 of £35,000 to Kirckman, and to endow it with a grant of £500,000 from which it will be able to draw future income and build its independence. LankellyChase does this in the memory of its founding Director Calton Younger, who died aged 92 on 1 January 2014. Cal was a passionate supporter and trustee of the Kirckman Concert Society and the trustees are pleased that in endowing Kirckman they are able to honour Cal's profound and lasting contribution to the Foundation.

Future Strategic Direction

The trustees of LankellyChase Foundation are clear that severe and multiple disadvantage is not an issue that lends itself to a programmatic approach in which a desired outcome is set and planned for. They believe that their strategy needs to be more emergent, with an adaptive openness to learning and experimentation. As the introduction to the report illustrates, our work is predominantly at a highly developmental stage, and for most projects it is not possible to state what shape they will take even twelve months ahead. This seems inevitable and appropriate, given the nature of the challenge set out in the introduction. However, it does create a challenge for the trustees to shape long-term action and judge success.

As such, the Trustees have agreed a core strategic framework that they will continue to develop throughout 2014/15. It sets out the nature of the problem we are trying to solve (The Past), our vision of success (The Future), and the role that the Foundation will seek to take (Strategic Goal). It does so against four levels of concern, that together aim to have a holistic response: People (Who), Support (What), Systems (How) and Attitudes (Why). In the future, this framework will become the means by which we report our work.

	The Past	The Future	Strategic Goal
People (Who)	The lives of people facing severe and multiple disadvantage are little understood by decision-makers or the public. The prevailing view focuses on one 'need' at a time, pathologises symptoms rather than understands causes and ignores completely people's own lived experience.	Policy and practice is informed by a clear and nuanced understanding of who faces severe and multiple disadvantage, what causes this and how people in this situation articulate their challenges and aspirations.	To create a profile of people facing severe and multiple disadvantage that connects compelling personal testimony and evidence with authoritative quantitative data.

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	The Past	The Future	Strategic Goal
Support (What)	Where available, support for people facing severe and multiple disadvantage tends to be limited to those in crisis, addresses single issues in isolation and is 'done to' the person. Hence the experience of receiving support is often chaotic, too late and deeply alienating.	Support for people facing severe and multiple disadvantage (SMD) is highly attuned to their actual needs, backgrounds and aspirations. A plurality of approaches is available, owned and controlled wherever possible by the people themselves.	To promote a plurality of approaches to supporting people facing severe and multiple disadvantage, while identifying and evidencing the core elements of effective support, and seeking to instil these in wider practice.
Systems (How)	People facing SMD are denied positive support by risk-based systems that measure only inputs and outputs, exclude the voice of the person themselves, seal out wider resources and manage demand with high eligibility thresholds.	An abundance of positive support is available to those at risk of or facing SMD, enabled by systems that engage people at the earliest opportunity, seek to draw in social capital and emphasise the agency and capabilities of the person.	To change systems so that they become responsive to the reality of people's lives and open to a plurality of approaches from informal community support through to intensive professional intervention.
Attitudes (Why)	People who face SMD are heavily stigmatised by societal attitudes that are largely uncomprehending, intolerant and punitive. These attitudes shape and are shaped by the political response to severe and multiple disadvantage.	Attitudes to people facing SMD are characterised by an understanding of the immense challenges and harms people have experienced, an appreciation of their resilience, and a demand that they should be able to lead fulfilling lives.	To create a shift in public and political attitudes so that the positive attributes of those facing SMD are widely appreciated and intolerant responses are viewed as ignorant and discriminatory.

Financial report

The trustees authorised a total budget (excluding investment management and social investment fees) for 2013/14 of £5,908,000 made up of:

- £4,715,000 programme costs
- £939,000 staff costs, governance and support
- £254,000 office relocation to London.

Total expenditure, excluding investment management and social investment fees, was £4,715,021. This was made up of:

- £3,711,604 programme costs. Not all of the programme budget was spent in 2013/14; some of the grant applications that Programme Directors had planned to present to the Grants Committee were not ready to be considered in the year. There were also a small number of grant applications that were not approved by the committee. In addition, because the social investment policy is being reviewed by trustees, the budget for hybrid investments was not spent in the year.
- £929,594 staff costs, governance and support

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- £823 office relocation (£131,399 of leasehold improvements were capitalised in the year, which had been part of the office relocation budget)
- £50,000 provision for impairment in value of social investment
- £23,000 provision for impairment in value of freehold buildings. The freehold buildings, which had previously housed the administrative office, were put up for sale in the year. An offer received before the year-end at just under the asking price resulted in the provision for further impairment in the value of the properties of £23,000.

After a review of the social investment portfolio at the year-end, it was decided that it would be prudent to provide for the impairment in value of one of the social investments. There is no ready market for social investments and they are included in the accounts at the amount of the equity or loan participation, however, one social investment has faced a number of challenges in generating the required income to meet financial targets and also met greater obstacles in building a sustainable business model than had been anticipated. The Foundation, along with the other investors, is considering a mixture of additional grant support or an injection of equity to provide additional time for the organisation to reach a sustainable position. Although in the longer-term the Foundation will continue to seek a return of its investment, the full £50,000 cost was provided against in this year's accounts.

Investment report

Investment policy: endowment fund

The trustees determine the broad investment policy. In the past, the objective was to maintain the real value of the endowment portfolio whilst maximising the income available for current spending. At that time, the endowment was treated as if it were a permanent endowment. However, trustees have the freedom to utilise the Foundation's capital, as well as its income, to achieve its goals.

Trustees agreed this year that they would not want to erode the value of the endowment below £100 million (in real current value terms) and are prepared to approve spending over 10 years (with a review after 5 years) that would reduce the value of the endowment to approximately this level if the additional spend was justified in terms of significant additional outcomes and value for money.

The Foundation now explicitly follows a 'Total Return' policy, that is, it takes into account the income received on the portfolio and capital appreciation of the underlying assets in setting its budgets.

Investment management

The trustees engage four investment management houses to manage a portfolio of assets on a discretionary basis which had a value of £124 million at 31 March 2014 (2013: £120 million). These houses were chosen to complement each other and reduce style bias and manager risk. As such, they employ a range of strategies to meet investment objectives and report performance against stated benchmarks. In addition, for consistency, the trustees measure long-term performance against a simple bond/equity benchmark. The underlying holdings within the endowment are generally readily marketable and are either quoted on recognised exchanges or are authorised unit trusts or open-ended investment companies.

The LankellyChase Foundation

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 tobacco-related companies, but each fund manager has agreed asset allocation bands and performance benchmarks against which performance is reviewed.

The total value of the endowment fund investments rose by £4 million, from £120 million in 2013 to £124 million in 2014 (2013: increase of £5 million).

Responsible investment

The Foundation is committed to investing its assets in accordance with the United Nations-supported Principals for Responsible Investment (PRI) and has established a code to which it expects its fund managers to adhere.

During the year, a method was developed to facilitate the review of responsible investment areas that are most aligned to the Foundation's mission, ultimate beneficiaries and organisational values. A project to clarify the Foundation's values was started before the year-end with a view to agreeing the values and associated behaviours in 2014/15. Once the Foundation's values are made explicit, the priorities for responsible investment will be easier to agree. Then more focused action can be taken to implement the responsible investment objectives.

Performance

2013 proved profitable for equity investors and this was reflected in the performance of the endowment portfolio. The first quarter of 2014 saw UK and European markets retreat reacting to events in the Ukraine, which did impact the portfolio however overall performance was positive. Total returns varied across the different fund managers, which is to be expected as the particular managers were selected in order to diversify the investment approach and reduce risk. The managers will produce different returns in different market conditions depending on their approach within the overall strategy determined by the trustees. The capital value of the endowment portfolio increased over the year in line with markets and overall the total return from the investments was in line with expectations.

Social investments

In 2011/12 the trustees allocated £5.2 million to be invested separately from the main investment portfolio in a range of social investments. Achieving the maximum financial return was not to be the overriding consideration in making, and reviewing, the success of these social investments. Decisions about social investments are made by the trustees who may take advice about individual investments and contracts if deemed necessary.

Social investments at 31 March 2014 totalled £2,009,697 (2013: £1,742,787 plus cash held for social investment of £3,452,630). At the year-end trustees were reviewing the social investment strategy with a view to aligning future investments more closely to the Foundation's mission. Trustees were also considering how to make social investments in such a way as to maximise the positive impact for the organisations concerned and their ultimate beneficiaries.

The Foundation remains active in a network of other foundations that are keen to advance the volume and profile of social and impact investing.

The LankellyChase Foundation

Reserves policy

In 2013/14, trustees reviewed the reserves policy. Trustees consider it prudent to hold a cash reserve of approximately twelve months' projected expenditure. This includes grants and social investments that are payable in the next 12 months, one year's staff costs, governance and support costs and the value of any purchases of office furniture or equipment that are anticipated within the next 12 months. At the year-end a transfer of £3.3 million was made from the endowment fund to the unrestricted fund to ensure that reserves held for these purposes at the year-end totalled £3.3 million.

This cash is held under the Foundation's direct control. It represents a reduction in the amount of cash under the previous policy, where cash was retained to cover all approved grants, including those payable after more than one year, and the total value of the funds that trustees had set aside for social investments in future years.

Investment risk and social impact

The trustees are prepared to accept different levels of risk for the different funds identified above.

The Foundation is able to identify its requirements for liquid funds due to the manner in which grant expenditure is accounted for and through the preparation of regular annual and longer term spending plans. The trustees have taken a cautious approach to risk with respect to both credit and investment risk for assets held to meet short-term liabilities.

The trustees have twin aims of maintaining the real value of the endowment portfolio at no less than £100 million (in real current value terms) whilst maximizing the income available for current spending. A variety of instruments is needed to ensure that the value of the combined sums available for spending, and the capital value of the portfolio, increase or at least are maintained in real terms. Inflation is a key risk for the investment portfolio but given that the portfolio is treated as long-term, short term fluctuations in its value can be tolerated.

The trustees recognise that the returns from investments held in the social investment fund come from a blend of social impact and the traditional investment measures of income generated and increase in capital value. The blend of social and investment return from each investment is assessed individually so that the overall aim of preserving the real value of the endowment over £100 million can be maintained.

The LankellyChase Foundation

Statement of trustees' responsibilities

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

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 group 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 have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

In so far as the trustees are aware:

- a. there is no relevant audit information of which the charitable company's auditors are unaware; and
- b. 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.

This report has been approved in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006.

Approved by the board of trustees and signed on their behalf by:

Dame Suzi Leather
Chair



Date

18.6.2014

The LankellyChase Foundation

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

We have audited the financial statements of The LankellyChase Foundation for the year ended 31 March 2014 which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 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 any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 13 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2014 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 applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

The LankellyChase Foundation

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 exemption in preparing the Trustees' Annual Report and from preparing a Strategic Report.



Nicholas Brooks (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Date:

7/7/14

Devonshire House
60 Goswell Road
London
EC1M 7AD

The LankellyChase Foundation

Statement of financial activities for the year ended 31 March 2014

	Note	Endowment fund £	Restricted fund £	Unrestricted fund £	Total 2014 £	As restated total 2013 £
Incoming resources						
Incoming resources from generated funds						
Investment income	2	-	-	3,808,117	3,808,117	3,684,662
Donation: Northwood Trust		-	-	37,181	37,181	58,748
Corston Independent Funders' Coalition	17	-	5,000	-	5,000	-
Women's Diversionary Fund (2)	17	-	2,500	-	2,500	5,900
Other Income		-	-	9,143	9,143	8,463
Profit on sale of tangible assets		-	-	2,346	2,346	2,166
Total incoming resources		-	7,500	3,856,787	3,864,287	3,759,939
Resources expended						
Cost of generating funds						
Investment management fees		829,467	-	-	829,467	607,175
Social investment fees		2,952	-	-	2,952	9,745
Charitable activities						
Grant-making						
Grant expenditure	3	-	-	3,446,201	3,446,201	4,849,880
Research and evaluation		-	215	16,098	16,313	2,126
Grant-making costs	4	-	31,834	1,000,191	1,032,025	815,533
Governance costs	5	-	-	146,658	146,658	54,108
Exceptional items and reorganisation costs	9					
Relocation costs		-	-	823	823	215,678
Impairment in value of freehold buildings		-	-	23,000	23,000	307,965
Impairment in value of social investments		50,000	-	-	50,000	-
Total resources expended		882,419	32,049	4,632,971	5,547,439	6,862,210
Net outgoing resources for the year		(882,419)	(24,549)	(776,184)	(1,683,152)	(3,102,271)
Other recognised gains and losses						
Unrealised gains on investments		4,268,886	-	-	4,268,886	11,510,164
Net movement in funds		3,386,467	(24,549)	(776,184)	2,585,734	8,407,893
Transfers between funds	16	(3,322,184)	2,718	3,319,466	-	-
		64,283	(21,831)	2,543,282	2,585,734	8,407,893
Fund balances brought forward at 1 April 2013		126,395,488	21,831	768,039	127,185,358	118,777,465
Fund balances carried forward at 31 March 2014		126,459,771	-	3,311,321	129,771,092	127,185,358

Note 17

All gains and losses in the year are included in the Statement of Financial Activities and arise from continuing activities. In addition, the results of the prior year have been restated resulting in a cumulative increase in fund balances brought forward as at 1 April 2013 of £1,378,047 as set out in Note 1 to the accounts.

The LankellyChase Foundation

Income and expenditure account for the year ended 31 March 2014

	2014 £	2013 £
Income		
Investment income	3,808,117	3,665,244
Donation: Northwood Trust	37,181	58,748
Women's Diversionary Fund (2) income	5,000	5,900
Corston Independent Funders' Coalition	2,500	-
Other income	9,143	8,463
Profit on sale of tangible assets	2,346	2,166
Total income	3,864,287	3,740,521
Expenditure		
Charitable activities	4,494,539	5,667,539
Governance	146,658	54,108
Exceptional items	23,823	523,643
Total expenditure	4,665,020	6,245,290
Net income/(expenditure) for the year	<u>(800,733)</u>	<u>(2,504,769)</u>

The income and expenditure account is presented in compliance with the Companies Act 2006 and excludes movements on the endowment fund.

No statement of total recognised gains and losses has been presented as there are no gains or losses outside the income and expenditure account.

The LankellyChase Foundation

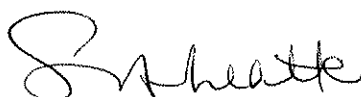
Balance sheet
as at 31 March 2014

		2014		As restated 2013	
	Note	£	£	£	£
Fixed assets					
Tangible assets	10		534,527		444,189
Investments					
Expendable endowment	11		124,421,368		119,502,990
Social investments	12		2,009,697		5,195,417
			<u>126,965,592</u>		<u>125,142,596</u>
Current assets					
Debtors	13	137,606		11,837	
Investments	14	1,000,000		1,000,000	
Bank and cash balances		<u>6,532,108</u>		<u>7,095,496</u>	
		7,669,714		8,107,333	
Creditors: amounts falling due within one year					
	15	<u>(3,338,652)</u>		<u>(4,265,571)</u>	
Net current assets			<u>4,331,062</u>		<u>3,841,762</u>
Total assets less current liabilities			131,296,654		128,984,358
Creditors: amounts falling due after more than one year					
Grants payable			<u>(1,525,562)</u>		<u>(1,799,000)</u>
Net assets			<u>129,771,092</u>		<u>127,185,358</u>
Funds					
Expendable endowment			126,459,771		126,395,488
Restricted funds	17		-		21,831
Unrestricted funds	16		3,311,321		768,039
	18		<u>129,771,092</u>		<u>127,185,358</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

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

Dame Suzi Leather
Chair of the Board of Trustees



Date: 18.6.2014

Company registration number 5309739

The LankellyChase Foundation

Notes to the financial statements for the year ended 31 March 2014

1. Accounting Policies

Accounting convention and basis of preparation

The financial statements have been prepared under the historical cost convention, as amended for the revaluation of investments, and are prepared in accordance with the Statement of Recommended Practice (SORP) - Accounting and Reporting by Charities (issued in March 2005), the Financial Reporting Standards for Smaller Entities (effective April 2008) and the Companies Act 2006.

The Foundation has taken advantage of the provisions of the Companies Act and adapted the Companies Act format to reflect the special nature of the Foundation's activities.

Prior year adjustment

The comparative financial statements have been restated to reflect the omission of investment assets totalling £1,378,047 in the prior year. These assets had been transferred to a separate fund for holding illiquid assets, but were incorrectly treated as having been disposed of, reducing the reported unrealised gain on investments for the period. No loss to the Foundation resulted from this error and the systems for accounting and reconciling movements in the Foundation's investments have been improved to prevent errors of this kind reoccurring in the future. The required prior year adjustment has resulted in an increase in the unrealised gains on investments reported in the comparative period of £1,378,047 and a corresponding increase in the net movement in the expendable endowment and total funds for the year and the expendable endowment and total funds balance carried forward as at 31 March 2013.

Investment income

Income arising from listed investments is accounted for when received by the Foundation or its agents. Other investment income is recognised when receivable on an accruals basis.

Other income

Other income is accounted for when the amount receivable can be identified with reasonable certainty. In practical terms this is frequently the time of receipt.

Resources Expended

Resources expended are included in the Statement of Financial Activities (SOFA) on the accruals basis.

Costs of generating funds are the fees due in respect of investment managers' services as grossed up for any rebates received. Such rebates are charged during the year by the fund managers in respect of Collective Investment Schemes by way of adjustments to the valuation of asset purchases and sales. In previous years such fee rebates were netted off against the management fees reported in the SOFA. Accordingly the comparative figures have been adjusted resulting in an increase in management fees reported of £191,416 and a corresponding increase in unrealised gains on investments.

Charitable activities are those costs relating to the grant making activities of the Foundation and include the grants and apportioned support costs.

Support costs are those related to all the activities of the organisation and are apportioned on the basis set out in note 6.

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

The LankellyChase Foundation
Notes to the financial statements
for the year ended 31 March 2014 (continued)

Grants

The Foundation makes grants that 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.

Investments

Listed investments are stated in the balance sheet at market value. The Foundation maintains a 'mark-to-market' policy for all listed investments whereby the carrying value is updated to market value on a continuous basis. As a result, all gains and losses on listed investments are classified as unrealised. Unlisted investments are stated at cost less provision for diminution in value in the balance sheet.

Depreciation

Individual fixed assets of £500 or more are capitalised in the accounts at cost.

Tangible fixed assets are depreciated at rates calculated to write off the cost of each asset over its anticipated useful life on a straight line basis. The following rates are applied:

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

No depreciation is included on the buildings as their residual values approximates to the cost at which it is included in accounts.

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

The expendable endowment fund represents the capital of the Foundation. Income arising from investments which form the assets of the fund are treated as unrestricted funds.

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

Unrestricted funds are those funds available for use at the discretion of the trustees in furtherance of the general objectives of the Foundation.

Charity status

The charity is a company limited by guarantee. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

Operating lease commitments

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

The LankellyChase Foundation
Notes to the financial statements
for the year ended 31 March 2014 (continued)

2. Investment income

	2014	2013
	£	£
Listed investments	3,717,940	3,509,714
Interest on cash held as part of the investment portfolio	14,874	16,850
Bank interest	55,160	137,247
Social investment income	18,921	19,418
Feed-in tariff	1,222	1,433
Total investment income	<u>3,808,117</u>	<u>3,684,662</u>

3. Grant expenditure

Grants were made under the following programme headings:

	2014	2013
	£	£
Unrestricted fund		
Grants authorised during the year		
Promoting Change Network	2,815,301	2,161,000
Annual grants	70,000	135,000
Investment readiness grants	50,000	-
Practitioner studentships	15,000	-
Race equality in mental health	23,000	-
Research and policy	45,900	-
Arts programme	-	419,020
Breaking the Cycles of Abuse	-	594,400
Custody and Community	-	279,000
Free and Quiet Programme	-	138,000
Local People, Local Places	-	518,800
Social investment	-	50,000
Special initiatives	-	150,000
Emergency Fund	-	100,000
Other	500,000	315,000
Total grants authorised during the year	3,519,201	4,860,220
Cancelled grants	(73,000)	(28,998)
Returned grants	-	(15,542)
	<u>3,446,201</u>	<u>4,815,680</u>
Restricted fund		
Grants authorised during the year	-	34,200
Total grants payable	<u>3,446,201</u>	<u>4,849,880</u>

Grant programme headings have changed during the year to reflect the Foundation's new strategy.

The LankellyChase Foundation
Notes to the financial statements
for the year ended 31 March 2014 (continued)

4. Grant-making costs

	2014	2013
	£	£
Direct costs comprise		
Consultancy	174,302	26,440
Databases	-	94,854
Website	-	15,416
Other grant-related costs	42,953	-
	<u>217,255</u>	<u>136,710</u>
Support costs (note 6)	<u>782,936</u>	<u>674,248</u>
	1,000,191	810,958
Restricted costs		
Consultancy	31,834	-
Administration costs	-	4,575
	<u>31,834</u>	<u>4,575</u>
	<u><u>1,032,025</u></u>	<u><u>815,533</u></u>

5. Governance costs

	2014	2013
	£	£
Legal expenses	10,398	1,002
Auditor's remuneration		
Current year provision	9,400	13,000
Prior year under-provision and VAT	9,925	2,479
Membership UNPRI	876	792
Chair and trustee recruitment	19,538	15,982
Trustee expenses (analysed under support costs in 2013)	5,865	-
Trustee training	2,516	-
Other governance related administration expenses	1,149	-
Support costs (note 6)	<u>86,991</u>	<u>20,853</u>
	<u><u>146,658</u></u>	<u><u>54,108</u></u>

The LankellyChase Foundation
Notes to the financial statements
for the year ended 31 March 2014 (continued)

6. Support costs

The key elements of support costs are set out below. Costs are allocated on the basis of the proportion of staff time spent in each area.

	Grant support	Governance	Total 2014	Total 2013
	£	£	£	£
Staff costs (note 7)	613,094	68,121	681,215	554,093
HR-related costs	12,335	1,371	13,706	1,111
Premises costs including utilities and repairs	43,003	4,778	47,781	71,023
Professional costs (consultancy, HR support)	1,050	117	1,167	22,908
Legal fees	3,803	422	4,225	-
Motoring expenses	-	-	-	4,171
Travel, subsistence and hosting of events	17,447	1,938	19,385	24,836
Training and conferences	22,367	2,485	24,852	5,676
Subscriptions and memberships	9,732	1,081	10,813	-
Telephone and postage	7,547	839	8,386	-
Stationery	2,948	328	3,276	-
Website and IT costs	16,996	1,888	18,884	-
Bank charges	494	55	549	852
Stakeholder insight project and staff strategy day	4,843	538	5,381	-
Reimbursement of Women's Diversionary Fund(1) expenses	-	-	-	(3,975)
Exchange rate variance	(438)	(49)	(487)	1,742
Depreciation	27,715	3,079	30,794	12,664
Total at 31 March 2014	782,936	86,991	869,927	695,101
Total at 31 March 2013	674,248	20,853	695,101	

7. Staff costs

	2014	2013
	£	£
Included in support and governance costs		
Gross salaries	478,750	420,657
Social security costs	56,920	47,868
SMP reclaimed	(5,817)	-
Pension costs - staff	51,166	56,160
Temporary staff	65,144	-
Pension paid to a former employee	14,567	19,004
Recruitment costs	20,485	10,404
	681,215	554,093

The LankellyChase Foundation
Notes to the financial statements
for the year ended 31 March 2014 (continued)

The number of employees with emoluments over £60,000 were as follows:

	2014	2013
	No.	No.
£60,000 - £70,000	1	-
£80,000 - £90,000	-	1
£90,000 - £100,000	1	-

The number of higher paid staff to whom retirement benefits are accruing under money purchase pension schemes was 2 (2013: 1). The total contribution in respect of these employees was £17,211 (2013: £9,000).

The average monthly number of staff employed during the year was 9 (2013: 9).

8. Transactions with trustees

Reimbursement of travelling expenses incurred for attending meetings and seminars during the year totalling £5,865 (2013: £5,844) was made to 9 trustees (2013: 12). No trustee received remuneration in the year or previous year.

9. Exceptional items – provisions for impairment in value

On the receipt of offers for sale for the two Oxfordshire properties, an increase in the provision for diminution in value of the properties totalling £23,000 was identified and has been provided for in these accounts.

In addition, after a review of the social investment portfolio at the year-end, it was decided that it would be prudent to provide for the impairment in value of one of the social investments in the sum of £50,000.

10. Tangible assets

	Freehold property £	Leasehold improvements £	Motor vehicles £	Furniture & equipment £	Total £
Cost					
Brought forward at 1 April 2013	731,965	-	30,269	31,647	793,881
Additions	-	131,399	-	21,984	153,383
Disposals	-	-	(30,269)	(2,924)	(33,193)
Carried forward at 31 March 2014	731,965	131,399	-	50,707	914,071
Depreciation					
Brought forward at 1 April 2013	307,965	-	19,756	21,971	349,692
Charge for the year	-	22,528	1,262	7,004	30,794
On disposals	-	-	(21,018)	(2,924)	(23,942)
Provision for impairment of value	23,000	-	-	-	23,000
Carried forward at 31 March 2014	330,965	22,528	-	26,051	379,544
Net book value at 31 March 2014	<u>401,000</u>	<u>108,871</u>	<u>-</u>	<u>24,656</u>	<u>534,527</u>
Net book value at 31 March 2013	<u>424,000</u>	<u>-</u>	<u>10,513</u>	<u>9,676</u>	<u>444,189</u>

The LankellyChase Foundation
Notes to the financial statements
for the year ended 31 March 2014 (continued)

11. Investments – expendable endowment

	Expendable endowment £
The investments held at 31 March 2014 comprised:	
Listed investments	118,828,802
Cash held as part of the investment portfolio	<u>5,592,566</u>
Total investment portfolio as at 31 March 2014	<u>124,421,368</u>
Total cost value	<u>113,535,729</u>
 Reconciliation of movements in investments	
	£
Amounts brought forward at 1 April 2013 (restated)	116,426,676
Add: additions to investments at cost	38,394,356
Less: disposals at carrying value	(40,261,116)
Add: net gain on revaluation at 31 March 2014	<u>4,268,886</u>
Amounts carried forward at 31 March 2014	<u>118,828,802</u>

The SORP requires that investments are revalued to their open market value at 31 March 2014. This value is the mid-price as quoted on a recognised stock market. The resulting revaluation gain is taken to the Statement of Financial Activities as an unrealised gain.

Investments were held as follows:

	£
Investment assets in the UK	77,652,472
Investment assets outside the UK	<u>46,768,896</u>
Total investment assets	<u>124,421,368</u>

Holdings representing more than 5% of the portfolio valuation:

	Holding No.	Market value £	Proportion of portfolio %
Sarasin Sterling Bond	9,149,482	9,689,301	7.8%
Sarasin Global higher dividend I Inc	5,865,272	6,997,270	5.6%

The LankellyChase Foundation
Notes to the financial statements
for the year ended 31 March 2014 (continued)

12. Investments - social investments

The movement in social investments held by the Foundation during the year were as follows:

	Brought forward at 1 April 2013	Purchases in year/ (return of capital)	Previously accrued income taken to SOFA	Cash movement	Provision for impairment in value	Carried forward at 31 March 2014
	£	£	£	£	£	£
Tregonwell Almshouses	14,033	(3,079)	-	-	-	10,954
East Lancashire Moneyline (ELM)	203,500	-	(3,500)	-	-	200,000
Peterborough Social Impact Bond	237,453	83,405	-	-	-	320,858
Big Issue Invest	240,385	-	-	-	-	240,385
Charity Bank preference shares	200,000	-	-	-	-	200,000
Ethex	31,775	20,000	(1,775)	-	(50,000)	-
Social Justice & Human Rights Centre	500,000	100,000	-	-	-	600,000
Bristol Together CIC	251,875	-	(1,875)	-	-	250,000
Resonance Real Letting Property Fund	63,766	123,734	-	-	-	187,500
Cash held for social investment	3,452,630	-	-	(3,452,630)	-	-
	5,195,417	324,060	(7,150)	(3,452,630)	(50,000)	2,009,697

A member of the LankellyChase Foundation Board sat on the Board of the Social Justice & Human Rights Centre in the previous year. The Foundation invests in the Peterborough Social Impact Bond via Social Impact Feeder Ltd. The Foundation is committed to provide further investment in respect of the Peterborough Social Impact Bond, up to a total investment value of £500,000. At the balance sheet date the carrying value is £320,858 (2013: £237,453).

At the year-end the Foundation had committed to further social investments totalling £450,000, to be made within the year to 31 March 2015.

13. Debtors

	2014 £	2013 £
Other debtors	89,442	-
Prepayments and accrued income	48,164	11,837
	137,606	11,837

Included in other debtors is an amount of £7,851 (2013: £nil) falling due after more than one year.

14. Current asset investments

	2014 £	2013 £
Fixed term deposits	1,000,000	1,000,000

The LankellyChase Foundation
Notes to the financial statements
for the year ended 31 March 2014 (continued)

15. Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	83,265	10,697
Grants payable within one year	3,063,169	3,871,910
WDF grants	-	65,010
Accruals and deferred income	185,245	311,078
Other creditors	6,973	6,876
	<u>3,338,652</u>	<u>4,265,571</u>

16. Unrestricted funds

	2014 £	2013 £
General fund		
Amounts brought forward at 1 April 2013	768,039	1,209,317
Net (outgoing) resources	(776,184)	(2,471,894)
Transfer from endowment fund	3,322,184	2,030,616
Transfer to restricted fund	(2,718)	-
Amounts carried forward at 31 March 2014	<u>3,311,321</u>	<u>768,039</u>

The transfer from the endowment fund was made in accordance with the Foundation's reserves policy to ensure that sufficient reserves are available to cover approximately twelve months' projected expenditure.

The transfer to the restricted fund was made to cover the excess of expenditure over income in that fund.

17. Restricted funds

The restricted funds were made up of three funds: Women's Diversionary Fund (1); Women's Diversionary Fund (2) and The Corston Coalition Partnership

- i. **The Women's Diversionary Fund** is a partnership between the Ministry of Justice (MOJ) and the Corston Independent Funders' Coalition. The Coalition is an alliance of 24 charitable trusts and foundations seeking to press for full implementation of the Corston Report recommendations and transform how disadvantaged women are treated by the criminal justice system. The Ministry of Justice agreed to contribute £1,000,000 on condition the Coalition matched this with a further £1,000,000.
- ii. **The Women's Diversionary Fund (2)** was set up by the Corston Independent Funders' Coalition to provide, alongside the MOJ and National Offender Management Service, time-limited funding to enable the continuation of a critical mass of women offenders' community provision in 2011-12 and 2012-13.
- iii. **The Corston Coalition Partnership (3)** was set up to disperse the remaining funds from the Corston Coalition which was formerly accounted for by the Diana Princess of Wales Memorial Fund which has now closed.

Costs incurred exceeded the funds held for this purpose; a transfer of £2,718 was made from unrestricted to restricted funds to cover the shortfall.

The LankellyChase Foundation
Notes to the financial statements
for the year ended 31 March 2014 (continued)

	Brought forward at 1 Apr 2013 £	Income £	Other restricted costs £	Transfer from unrestricted funds £	Carried forward at 31 Mar 2014 £
Women's Diversionary Fund (1)	1,066	-	(1,066)	-	-
Women's Diversionary Fund (2)	5,613	-	(8,331)	2,718	-
The Corston Independent Funders' Coalition	15,152	7,500	(22,652)	-	-
Total	21,831	7,500	(32,049)	2,718	-

18. Analysis of net assets between funds

	Expendable endowment £	Restricted funds £	Unrestricted funds £	Total £
Tangible fixed assets	-	-	534,527	534,527
Fixed assets investments	126,431,065	-	-	126,431,065
Debtors	8,750	-	128,856	137,606
Current asset investments	-	-	1,000,000	1,000,000
Bank and cash	164,320	-	6,367,788	6,532,108
Creditors: amounts falling due within one year	(141,646)	-	(3,197,006)	(3,338,652)
Creditors: amounts falling due after more than one year	-	-	(1,525,562)	(1,525,562)
Total at 31 March 2014	126,462,489	-	3,308,603	129,771,092
Total at 31 March 2013	126,395,488	21,831	768,039	127,185,358

19. Financial commitments

At 31 March 2014, the Foundation was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2015:

	Land and buildings		Other assets	
	2014 £	2013 £	2014 £	2013 £
Operating leases which expire:				
Within one year	-	-	57	-
Between two and five years	67,830	-	4,081	1,115
	67,830	-	4,138	1,115

The LankellyChase Foundation
Notes to the financial statements
for the year ended 31 March 2014 (continued)

20. Related party transactions

The Vice Chair of the Foundation, Andrew Robinson, is also Director of Market Development at CCLA Investment Management Limited (CCLA), one of the four fund management firms engaged by the Foundation to manage the investment portfolio.

CCLA managed funds totalling £11.5 million (2013: £11.5 million) on behalf of the Foundation at the balance sheet date and charged management fees of £56,516 (2013: £32,582) excluding VAT during the year.

The Foundation awarded a grant of £15,000 to The Griffins Society, an organisation in which Clive Martin, a trustee of the Foundation, is a trustee.

The Foundation approved a social investment of £250,000 in Framework Housing Association, Nottingham, an organisation in which Kanwaljit Singh, a trustee of the Foundation, is a trustee.