

Company number: 03339120 (England and Wales)
Charity number: 1093569



Keyfund Federation Limited

(A company limited by guarantee)

Directors Report and Financial Statements
For the year ended 31 March 2017

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Welcome from the Chair, Chief Executive and Deputy Chief Executive
For the year ended 31 March 2017

Welcome to The Key's Annual Report and Audited Accounts for 2016/17.

We are delighted to say with the help of our facilitators 389 Key projects were successfully completed in 2016/17. We worked with 1,644 young people to help them build the skills, self-belief and confidence needed to respond to challenges like rural isolation, youth unemployment, being in a minority group or leaving the care system. We had some wonderful stories showing real impact, and showcasing young people's creativity, passions, resilience and humour.

Some of our favourite group names from across the year have been; Diggy doggy Doo Dars, Krazy Killicks, Fiddle Cookie Sticks Doh 3.0, The Incredible Munchkins, Banana Unicorns and Panic! At the Freezer.

Some of our favourite groups have been;

Walker Woodwork who took advantage of the Christmas period by creating handmade wooden Christmas decorations including a tiny Santa door decoration, a wooden bottle and glass stand and festive themed wooden baubles. Walker Woodwork excelled in their project and managed to turn a great profit and even sell out of their goods at SageUK headquarters.

The Saviours designed and ran a Winter Programme for asylum seekers which helped new asylum seekers learn about how to use public transport in the North East and feel more welcomed and settled in their new community.

The Banana Unicorns who came up with the unique idea of creating a futuristic film for their key panel. Roping in teachers along the way, Banana Unicorns created their innovative film focussing on the group's planning journey to panel. The group ended the film with them being transported through a portal into the live panel.

The Chill Outs whose Stage 4 project was to organise an enormous awards night for young people with special educational needs. 265 came to the ambitious and challenging event which helped to inspire over 200 younger members of the community.

US Girls Aycliffe who aimed to increase young female's engagement in sport by setting up and organising their own sports activities for girls in Durham during the school break. Alongside free activities the group provided a free buffet to help combat "holiday hunger".

Chapter Gangsters organised a party for nursery children for their Stage 3 project and for their evaluation carried on the theme by using party bunting to evaluate the project. Each triangle provided either feedback from an attendee or a group member.

J.A.R. decided to hit back at the recent proposed cuts to youth provision in Sunderland by looking into and producing their very own DVD to show the benefit and impact of youth work. The group used their DVD to send to local councillors and potential funders to raise awareness of what's happening in Sunderland. J.A.R even took a trip to Parliament to share it with MPs.

Key Group are a group of young people interested in engineering and construction. With this in mind, the group decided to organise a site tour to the new bridge being built in Sunderland to find out more about the bridge building process. Whilst their the group arranged for career talks and learnt about all of the different employment options in the field.

As has been the case for many years now 2016/17 was full of challenges, but also full of opportunities. We have continued to look ahead and listen to our stakeholders in order to innovate and adapt to our ever changing environment and to try and remain as relevant as possible to the young people we seek to support and the infrastructure they rely on.



Welcome from the Chair, Chief Executive and Deputy Chief Executive
For the year ended 31 March 2017

2016/17 represented the first full year of our new organisational membership model which was designed to assure the quality of young people's experiences with The Key Framework, better (and more fairly) balance the quantity of activity with our ability to resource it; and to create a more financially sustainable arrangement with members for the future.

We were delighted that 91% of organisations renewed their memberships and 32 new members joined. However, we were sad to hear that the 12 organisations who didn't renew were suffering from huge budgets cuts, withdrawing from delivering youth services or were closing their doors for good. This is indicative of the hugely challenging environment the North East Youth and Community Sector is facing.

We welcomed three new funders on board in Children In Need, Shears Foundation and Garfield Weston and welcomed back Tudor Trust after a 10 year break. We were delighted that both Kavli Trust and Dulverton Trust agreed to provide continuation funding for a further two years. This kind of dedicated support from funders is invaluable.

After three years we bid a fond farewell to our hosts Isos Housing (now Karbon Homes) as the lease on our in-kind office came to end. We'll be forever thankful to Karbon Homes for their support and hope to find new ways of working together in the future. Our team has successfully moved to new fully accessible and branded offices in Team Valley, where everyone is welcome to visit. This office move was only made possible by the organisational prowess of our Operations Director Erin Embleton and from the hours of expertise poured in by our Trustee Peter Clegg.

As ever, we have continued to innovate with the Key Framework finding new markets and new ways to support the young people who need us most. Our '...Does The Key' offer for businesses is getting stronger with two successful pilots. The first was an enterprise themed programme with Sage Foundation (raising a total of £20k) and the second was with Virgin Money where they embedded '...Does The Key' into their Apprenticeship Training Programme. Both are hoping to repeat the programmes next year.

We also led our first two publicly funded programmes:

1: We developed a Social Action themed Key Programme targeted at young people from rural communities and C2DE areas, in partnership with Cabinet Office (now DCMS) and Pears Foundation. We over exceeded our targets and expectations and are currently exploring ways to take these successes forward with new #iwill Fund partners.

2: We were the lead partner for the first ever Careers and Enterprise Company round of investments. We partnered with North East Business in the Community to deliver a careers and enterprise curriculum across 23 schools in 'hot spot' areas of deprivation. Our role was to deliver The Key Framework directly to pupils who were disengaging with school. This model has so far delivered very positive outcomes for these pupils and we're building up a solid bed of evidence to demonstrate its effectiveness. In 2017/18 we will be exploring opportunities to package this up and expand it across more schools.

Welcome from the Chair, Chief Executive and Deputy Chief Executive
For the year ended 31 March 2017

We have upped our game in terms of youth engagement by developing a Key Alumni Programme. So far we have 32 young people recruited to act as Youth Advocates and Assistant Key Facilitators. We plan to embed their views and feedback into the organisation and to explore more ways to engage young people directly in the operations and strategy of The Key. This linked with our wider Volunteering Strategy to recruit supporters of all ages and backgrounds with PR, photography, Project Supporters, and Community Panel Members. Through the implementation of this strategy we have built new relationships with local and regional businesses and their employees.

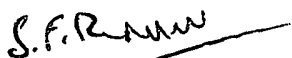
After many years of dedicated strategic guidance, we were sad to see Trustees, Peter Neal and Andrew Walton's terms come to an end, but we know both will find new ways to support The Key in future. We welcomed Andrew Silver as a new Trustee. Having been a business consultant to the organisation in the past Andrew has unrivalled knowledge of the inner workings of The Key and has therefore been in a unique position to provide super relevant advice and support.

All of this was achieved against the challenging backdrop of a changing senior team. Hannah our long serving CEO, went on Maternity Leave in July and left the organisation in the very capable hands of Victoria Dunn. A significant amount of governance and succession planning took place between Hannah, Victoria and the Board of Directors to ensure this transition was as smooth as possible. The Board were very impressed with Victoria's achievements and results throughout the year, and crucially that she not only sustained, but improved the financial position of the organisation. Upon Hannah's return (on a part time basis) Victoria has continued to successfully lead the staff team and play a crucial leadership role as Deputy CEO.

Many of our supporters have continued to give their commitment, enabling us to maximise our reach and impact. We give unreserved thanks to all those who have given their time, advice, funds, support and energy over the past year. This includes staff, facilitators, volunteers, board members, funders and supporters. With their continued help we look forward to delivering more high impact outcomes for young people in 2017/18.

Finally, we'd like to thank the thousands of young people who continue to demonstrate how amazing they are. They give us all a reason to get up in the morning and give us the energy to use our skills, resources and passions to make a positive difference to their lives.

Thanks and very best wishes

A handwritten signature in black ink, appearing to read 'S. F. Riddell'.

Simon Riddell
Chair

A handwritten signature in black ink, appearing to read 'Hannah Underwood'.

Hannah Underwood
CEO

A handwritten signature in black ink, appearing to read 'Victoria Dunn'.

Victoria Dunn
Interim / Deputy CEO



Directors Report
For the year ended 31 March 2017

Reference and administrative details of the charity, its directors and advisers

Charity Number 1093569

Company Number 03339120

Registered Office 32 Kingsway House
Kingsway
Team Valley
Gateshead
NE11 0HW

Directors Peter Neal (Resigned 16th September 2016)
Lisa Charles-Jones
Peter Clegg
Paul Lewney (Vice Chair)
Simon Riddell (Chair)
Julian Thomas
Andrew Walton (Resigned 16th September 2016)
Robert Morton
Neil Hemming
Lyn Horton
Andrew Silver (Appointed 16th September 2016)

Key management

Company Secretary & Chief Executive Officer Hannah Underwood

Deputy Chief Executive Officer Victoria Dunn

Auditors

Haines Watts
Floor 11
Cale Cross House
156 Pilgrim Street
Newcastle upon Tyne
NE1 6SU

Bankers

Co-operative Bank Plc
PO Box 101
1 Balloon Street
Manchester
M60 4EP

The Directors submit their annual report and the audited financial statements of The Keyfund Federation Limited (The Key) (the company) for the year ended 31 March 2017 which are also prepared to meet the requirements for the directors report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and the 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 January 2015).

OBJECTIVES AND ACTIVITIES

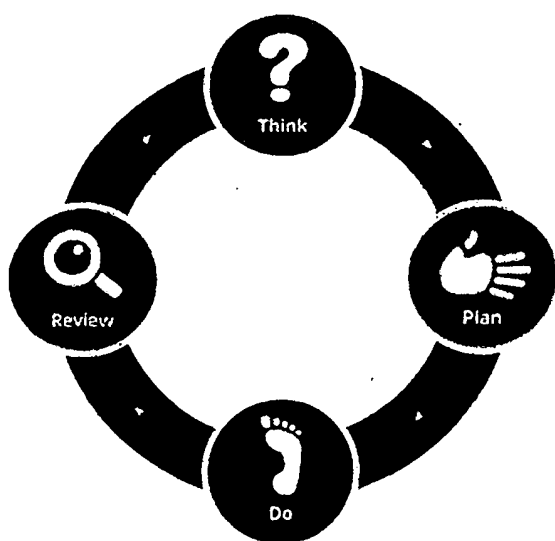
How we do it

For 25 years The Key has been providing young people aged, 11–25, who experience social and economic disadvantage, with the opportunities and support needed to lead more successful, sustainable and independent lives by engaging them in The Key Framework. We improve young people's lives, whilst empowering them to have a positive influence on others through the projects they dream up themselves.

The Key Framework

Our Framework is very simple, but highly effective. Young people work together in little teams with the support of a trained Key Facilitator and use their individuality, curiosity and imaginations to; dream-up, plan, budget, pitch, deliver and evaluate their very own project ideas.

Our 83% retention rate demonstrates how this ownership is highly motivating and how young people can show a real commitment to achieving their goals. Through The Key young people learn by doing. They experience first-hand how effort can reap rewards and what it feels like to succeed.



The Key is an incremental learning process, so young people can complete the Framework up to four times, each time further developing themselves by planning more challenging projects with greater community reach. This provides opportunities for longer term engagement and long term sustainable outcomes.

The impact The Key creates resides in young people's development of 12 Key skills, as opposed to just the projects they choose to deliver. However, many of the projects are very successful, offering community benefit and creating additional social impact in their own right.

We measure how young people develop our 12 Key skills which cover three vital components of personal development: Self; Relationships and Tasks. These form the vital ingredients needed for young people to take control of their own lives and be successful.

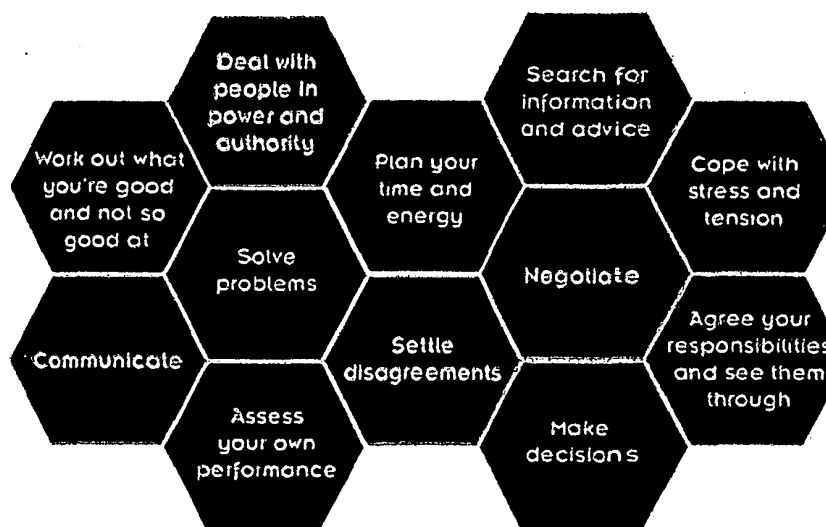
Directors Report (Continued)
For the year ended 31 March 2017

Young people's projects and their personal development are independently appraised by live local panels, which young people 'pitch' to. These panels assess the project viability, but most importantly assess each individual's development of the 12 Key Skills. If successful, panels reward the group with the resources needed to carry out their project.

Through this proven methodology, young people build confidence, self-efficacy, resilience and independence, enabling them to take on opportunities which lead them towards more fulfilling futures.

12 Key Skills

- Self
- Relationship
- Task



On average, each year around 2,000 disadvantaged young people deliver 500 Key projects and go on to make 1,250 positive life 'transitions' (this is where a young person progresses into Employment, Education, Training or Volunteering). Our young people increase their confidence, resilience and self-efficacy, helping them to develop a growth-mindset.

Financial transparency

The criteria for young people accessing funds via The Key Framework:

- The project proposal must come from a group of young people (a group is viewed as three or more)
- The young people must be aged between 11 and 25
- The project must be the young people's own ideas
- The young people must plan and budget the project themselves
- The young people must demonstrate their development of the 12 Key skills
- The young people must work with a trained Key Facilitator from The Key directly or via an organisation holding a valid Key membership
- Each group must present to and is assessed by an independent, live panel with a robust prescribed process.
- The young people must progress incrementally through the 4 stages, starting at stage 1
- The group cannot progress to the next stage until they have completed the previous stage.

Our volunteers

The Key relies on voluntary help in order to deliver our work with young people and to support the efficient and effective running of the organisation. This ranges from accessing pro-bono expertise and professional support from individuals and employees of corporate partners, to structured volunteering roles working directly with young people such as 'Community Panel Members' and 'Facilitators'. We wish to thank all our volunteers for their loyal support during the year and hope that they continue to support us in 2017/18.

ACHIEVEMENTS AND PERFORMANCE

Progress against strategic objectives

We anticipated that 2016/17 was going to be a difficult year both financially and from a delivery perspective. We believed that if The Key was going to successfully navigate the external changes and pressures to the environment in which we anticipated having to operate, we would need to continue the spirit, dedication and informed but bold decision making shown in 2015/16. We knew we had to build upon our new membership foundation to ensure our core services thrived and that we must continue to develop and implement our new innovations and strategies to best position us for future growth.

When planning for 2016/17 we took two major factors into consideration.

1. In The Key Framework, we have a proven and efficient model for youth engagement and development. We knew this was attractive to funders and investors. We also had the internal skills, knowledge and resources needed to innovate with and replicate this model in order to meet a range of societal issues and investor requirements. We needed to capitalise on these assets for the short, medium and long term benefit of the organisation, but do so without compromising our core values, ethos or reason for being.
2. The continued cuts in local youth provision through public services and new cuts through social housing providers and potentially European sources, meant The Key would be needed by young people more than ever. We understood that this disinvestment was causing the youth sector to rapidly and continually change shape. We knew we'd need to stay closely connected to youth organisations and young people to give us the best chance of adapting and responding to challenge and opportunity.

On that basis and in order to reach as many young people as possible in 2016/17 we set ourselves four strategic objectives. The following is an update on the progress we made:

- 1. Explore and develop ways to build long-term, win-win partnerships with the business sector to support both the financial costs and delivery mechanisms of The Key Framework.**

During 2015, we identified a range of products and services that we believed would be of interest to the private sector to support them to achieve their HR, PR or CSR objectives whilst supporting both the financial costs and delivery mechanisms of The Key Framework. In January 2016, we were awarded a grant of £29k from The Big Lottery, Big Potential Fund to employ a Partnership's Director, Emma Richards and spend on consultancy support and advice from Numbers for Good to refine our product/service offer, undertake robust market analysis to understand whether the model had the potential to generate income and develop a pricing strategy.



It was clear from discussions with the business sector that they were keen to build a relationship and understand more about The Key. Both Sage and Virgin Money piloted 'Does The Key' with their apprentices who were tasked with developing fundraising projects. Virgin Money have since committed to embed 'Does The Key' as part of their annual apprenticeship programme.

Although successfully delivered, evaluation from Numbers for Good reported that 'Does The Key' would not create the financial return on investment we had hoped. Next steps are to continue to research and develop new, innovative ways to use The Key Framework to diversify our income streams and support future sustainability of The Key. We will continue to build upon our new and existing relationships with the business sector including Lookers Plc, Greggs and Northumbrian Water, to support both financial costs and delivery mechanisms of The Key Framework.

2. Pilot, test and further develop iDecide as an alternative, but complementary way to achieve our core mission.

We were unsuccessful in securing additional funding to roll out this platform and take it to the next level. However, we user tested it with 729 young people who used it to engage with The Key Framework as an opportunity. This is proving to be a very useful way for the beneficiaries of The Key to have their own accounts and manage the flow of their own information. It's still a venture we believe in and we will explore new options for investment and roll out in 2017/18.

3. Continually listen to our members and analyse our data to ensure we are doing all we can to support and enable them to provide The Key Framework to young people.

Following the introduction of our new membership model, we were keen to understand how we could support organisations to engage young people in The Key Framework and how this change would impact on the number of projects delivered by our members. We completed in-depth telephone and face to face consultation with a sample of 38 members in August/September 2016 to understand the challenges Key Facilitators were facing, which may prohibit them from using The Key Framework with their young people. Key themes included, communication, technical issues, organising community panels, but mainly capacity within the youth sector itself as a direct result of austerity measures.

A number of actions were taken including reviewing and updating automated emails, carrying over remaining projects to be used within a three month period, exclusive access to 25th anniversary events and developing a Facilitator network on social media. Our Project Manager, Una MacDermott has continued to engage members and developed a new system to support customer relationship management. Membership engagement and retention has remained high with 89 members opting to renew their membership between January – March 2017. Sadly 12 organisations were unable to renew due to staff cuts, closure or change of direction. We are currently looking into developing the Facilitator hub so ensure it continues to remain easy to navigate and accessible for our members.

4. Explore new ways to deliver The Key Framework directly to those young people who may otherwise miss out on the opportunity.

In 2016, we were successful in securing a contract with Careers and Enterprise Company to deliver The Key Framework directly within 26 schools to engage 800 of the most difficult and disengaged young people to improve their attainment. The contract provided us with the platform to pilot our direct delivery model, working with a team of freelance facilitators who were recruited from our members to deliver The Key Framework to young people through structured sessions in schools. So far, the model has worked well, enabling us to develop stronger relationships with Key Facilitators within our membership and improve our insight and reach of young people. We intend to develop and test this model further to increase the number of young people who access The Key Framework who may otherwise miss out on the opportunity, whilst increasing capacity of our members during challenging times.

Other strategic developments over 2016/17

We are continuing to use data to drive our resources and decision making on the ground (as well as strategically). Data is proving to be a valuable tool for us in helping to ensure our members get the most out of their membership, in particular maximising the numbers of young people they facilitate through The Key Framework and the quality of those interactions. We use the data to tell us when members might need more support or more encouragement so we can use our limited resources more efficiently. Our internal data analysis portal 'Key Labs' has become further embedded into the daily activities of our staff team, helping them to develop actions plans or test assumptions. This is growing organically involving all facets of the business.

We lead our first two publicly funded programmes:

1: We developed a Social Action themed Key Programme targeted at young people from rural communities and C2DE areas, in partnership with Cabinet Office (now DCMS) and Pears Foundation. We over exceeded all our targets and expectations and are currently exploring ways to take these successes forward with new #iwill Fund partners.

2: We were the lead partner for the first ever Careers and Enterprise Company round of investments. We partnered with North East Business in the Community to deliver a careers and enterprise curriculum across 23 schools in 'hot spot' areas of deprivation. Our role was to deliver The Key Framework directly to pupils who were disengaging with school. This model has so far delivered very positive outcomes for these pupils and we're building up a solid bed of evidence to demonstrate its effectiveness. In 2017/18 we will be exploring opportunities to package this up and expand it across more schools.

We were selected as one of only 6 organisations nationwide to take part in the Generation Change Youth Social Action Quality Mark Pilot with their partners Dartington Social Research. This included an independent assessment and access to expert support valued at over £14k. Our initial feedback has been very positive and we have been accepted as an official 'Impact Partner' for the scheme as it rolls out. This activity has led to the development of an action plan for 2017/18 focussing on updating our Theory of Change and developing a more comprehensive measurement framework to underpin it.



Social Impact

We are delighted this year to have supported 1,644 fantastic young people to successfully complete 389 Key projects. Amazingly, this actually benefited 17,145 additional people in local communities across the North of England as they engaged in some way with the projects the young people implemented. This means that for every young person engaged in a Key project an additional 11 people in the local community also benefitted. This highlights the significant added value delivered by The Key Framework and the double-benefit of social action.

We had set a target to achieve 632 completed projects, so we actually fell short of this by 38%. This was a great disappointment. The main cause of this was the fact that we had forecast our members would use on average 60% of the project allocation they were entitled to as part of their annual membership. As it was a new membership model we had no prior information to base this assumption on, so needed to make an informed estimate. Although we knew members wouldn't all use 100% of their allocations, it was vital that we didn't overcommit ourselves by recruiting more members than we could honour in terms of our availability of Key Funds. With that in mind we set an assumption of 60%, but in reality this 'utilisation rate' turned out to be just 35%.

At the mid-year point we made a strategic decision to increase our recruitment of new members in order to bolster our capacity to deliver The Key Framework to young people. Una MacDermott our Project Manager developed and implemented a robust recruitment plan. This included working with partners such as Sported. This is why we overachieved our 'Capacity growth of the network' target by 65 projects (achieving 185 v's a target of 120). By year end we had 105 member organisations in total and had trained 178 new Facilitators (a significant increase on 93 in 2015/16). Although this activity didn't translate in time to significantly increase our number of completed projects in 2016/17, it has put us on a positive trajectory for 2017/18.

We activated 42% of our facilitator membership during the year (defined by them having successfully taken at least one Key group to panel). This compares to 45% in 2015/16. Whilst we appreciate activity levels may have declined in 2016/17, we have plans in place to support our members to increase their capacity to ensure as many young people as possible have access to The Key Framework.

Having achieved 89% in 2015/16 for our main quality indicator '% of projects granted which are evaluated' we decided we'd get more impact if we changed this main indicator in 2016/17 to '% of projects completed'. This means the groups have completed every element of the project including sending in all receipts and unspent money. Our lead Administrator Christine Dodds further refined her process of following up with groups post panel. Our delivery team made structured efforts to increase their contact with and support to Facilitators on the ground and we improved the tone and content of our automated emails, all of which were positively received. We believe these activities helped us to over achieve our target of 40% by ending the year on 59%. This was a significant increase on 29% in the prior year. We hope to continue to increase this performance year on year.

We established two new Business Partnerships with Virgin Money and Sage UK, both of which look set to continue into 2017/18. This was against a target of six. As has been described in the previous section, we piloted a new model of engagement with the business sector, but upon evaluation concluded that despite lots of positive outcomes for us and the young people, it wasn't delivering the financial return on investment needed in order to pursue it as a new income stream. However, we did build positive new relationships with new businesses as part of our volunteering strategy and in particular through our delivery of the CEC contract.

By completing their skills wheel assessments our young people told us they believed they had improved their development of the 12 Key Skills by an average of 16.8 points per stage (each of the 12 skills are rated on a scale of 1-10 points). This is in comparison to 14 in 2015/16. We're delighted with this upwards trend and strive for this to continue.

Our 1,644 young people completing Key projects went on to make 655 positive life 'transitions' (this is where a young person progresses into Employment, Education, Training or Volunteering).

FINANCIAL REVIEW

Reserves policy

A reserves policy was approved by the Directors in 2006/07. Implementation of the corresponding Reserves Policy commenced in that year. The Directors have reviewed the reserves policy which is designed to create a buffer to cover six months cost commitments that would have to be paid in the event of business wind up at any given time. In 2015/16 we started the year with £93,846. A contribution of £17,629 has brought this total up to £111,686. This currently represents about 4.5 months of core cost commitments.

Reserves are an integral part of The Key's strategic planning process, but we are also realistic about the difficulties of the current economic climate. It is therefore a focus of our 2017/18 income and expenditure budget to make a contribution of £14,872 in order to bring our reserves closer to the 6 months fixed costs level by year end.

Financial reporting

We continue to stress the importance of timely and accurate financial reporting in order to influence strategic planning and decision making.

The financial reporting structure and methodology continues to be robust and transparent. Reports include, but are not limited to; a monthly Income and Expenditure report showing progress against budget, a Balance Sheet, a 12 month cash-flow forecast, Guaranteed Income and Potential Income reports showing our pipeline and confirmed income streams. We use a robust, internal financial check list, and a detailed credit control procedure. Currently the production of these reports are finalised and validated by an outsourced management accountant on a monthly basis and are then reviewed by the executive team monthly and discussed bi-monthly at the Finance and Risk Board Sub-Committee and Board meetings.



Financial performance

The Key's income streams are divided into 1) 'Key funds' – Representing funds received for distribution to groups of young people in order to implement the Key projects they have planned by participating in The Key Framework and 2) 'Core income' – Representing funds received to support delivery of The Key Framework to young people.

In summary, 2016/17 was a solid year financially. We were able to make a contribution of £17,629 to reserves at year end and entered 2017/18 with a core balance of £67,141 and a Key Funds balance of £170,848.

In detail, we started the year with an opening restricted Key funds balance of £101k (2016 £181k). Total incoming Key funds for the year amounted to £208k (2016: £133k). The total Key funds expended (including restricted and unrestricted Key funds) was £138k (2016: £208k) leaving a total Key fund balance to carry forward into 2017 of £171k.

We started the year with restricted core funds of £67k (2016: £66k). Total incoming restricted Core funds for the year amounted to £264k (2016: £214k). The total restricted core funds expended was £264k (2016: £216k). £67k of restricted core funds were carried forward into 2017. The total incoming unrestricted Core funds for the year amounted to £135k (2016: £146k). The total unrestricted funds expended was £123k (2016: £207k) leaving a total unrestricted fund (ie reserves) of £112k (2016: £94k).

We raised £38k less of core funds than budgeted during the year. The main areas of deficit against budget came from Restricted Grants, Business Partnerships (Product Sales) and Donations. However we raised £74,989 more in unrestricted income during the year, giving us more freedom to focus on strengthening our core proposition. Donations and business partnerships were new income streams. Although these remain small, we believe they will be important avenues for our future sustainability, so we will continue to develop and implement strategies for them in 2017/18.

Core expenditure was £62k less than budgeted. Underspend was mainly in two areas; Staff related expenses and Project expenses. It was a year of change and challenge in terms of the staff team. Looking forward, 2017/18 should provide more consistency and consolidation in the staff team and as a result actual expenditure should be closer to budget. The budgeted project expenses were deferred into 2017/18 along with the related income as it related to a delayed 'payment in arrears' contract. We had an overspend of £6,768 on IT equipment related to the office move. However, we secured funding from Morrisons specifically to pay for this unbudgeted expenditure item.

In terms of Key funds income, we raised £77k less than budgeted during the year. The main areas of deficit against budget came from Business Partnerships. In reflection we have discovered that it takes significantly longer to build relationships with corporates which translate into donations or investment. We will still be investing our time into initiating and building relationships with corporates in 2017/18, but we have minimised the risk to the organisation by reducing the budgeted income from these sources.

As was described in our social impact section, we had a challenging year in terms of delivery and were unable to reach as many young people as we had hoped. This translated into an underspend of £134,364 in Key Funds during the year. Therefore, we slowed our Key Fund income generation activity to match the supply with the demand.

We continued to strive for diversity in our income streams, to increase our financial resilience, but we recognise that we still have some way to go.

PLANS FOR THE FUTURE

What we are doing in 2017/18

If The Key is going to successfully navigate the external changes and pressures to the environment in which we operate, 2017/18 we will need to continue the spirit, dedication and informed but bold decision making shown in prior years.

When planning for 2017/18 we took three major factors into consideration.

1. In The Key Framework, we have a proven and efficient model for youth engagement and development. We know this is attractive to funders and investors. We also have the internal skills, knowledge and resources needed to innovate with and replicate this model in order to meet a range of societal issues and investor requirements. We must capitalise on these assets for the short, medium and long term benefit of the organisation, but do so without compromising our core values, ethos or reason for being.
2. The continued cuts in local youth provision through public services and potentially European sources, is causing the youth sector as a whole to rapidly and continually change shape. For example, there is higher competition for funding and limited funding to apply for to support the youth sector. There's a heavy focus on "more targeted" work, which has reduced the capacity of organisations delivering open access or preventative services. This is reducing the capacity of our member organisations. Due to this disinvestment (and despite the demand for The Key from young people) we have experienced a decline in our facilitators, registered/granted projects and consequently, the number of young people accessing The Key Framework since 2010. We understand we must stay closely connected to youth and community organisations and young people to give us the best chance of adapting and responding to future challenges and opportunities.

Directors Report (Continued)
For the year ended 31 March 2017

3. Given the internal and external challenges outlined, we wish to propose a year of consolidation in 2017-18 to enable us to focus on reducing the decline of young people accessing The Key Framework, whilst also developing new income streams and routes to market to help sustain the organisation in the future.

Bearing these in mind in 2017/18, we aim to:

1. Deliver research and development activity into at least one new commercial opportunity
2. Identify new routes to market to enable us to reach young people who aren't currently able to access The Key Framework.
3. Deliver high quality services to sustain and strengthen The Key, including implementing a strategy to formally engage young people in shaping the organisation.
4. Strengthening our impact measurement framework to help us better understand and evidence our value.
5. Raise the profile of The Key in our 25th year.

Social Impact targets

Number of young people in granted projects	1549	1644	This target was originally based upon equaling our performance in 2016/17. It was set before the end of the financial year end and we over achieved our forecasted performance, hence the target for 2017/18 being lower than prior year.
Capacity Growth of network (in projects)	130	185	This was calculated based on the size of our current network and an assumption that members will on average use 35% of their project allocations.
Number of young people engaged directly in shaping The Key	56	200	This will be achieved via consultation events and a formal youth advisory committee structure
Percentage of young people evaluated who show an increase in skills development	83%	83%	We also measure the depth of the improvement and aim for this to increase from 16.8 points in 2016/17
Unique of page views on www.thekeyuk.org	22000	16500	This is a monthly target averaged out over the year

Financial targets

Our overarching financial aim for 2017/18 is to contribute to our unrestricted general reserves to ensure we close the gap on our 6 months reserves target, whilst generating enough income to efficiently deliver against all our social impact targets and planned activities for the year.

We plan to turnover £539k with a combined Core and Key Fund expenditure of £529k. When accounting for our 2017 opening balances and anticipated 2018 closing balances, this will leaving us with a £15k contribution to reserves and a carried forward restricted Key Funds balance of £173k.

We are forecasting 74% (£288k) of core income in 2017/18 will come from Restricted Grant income as compared to 55% (£193k) in 2016/17. This anticipated increase is due to the fact that we successfully delivered two large national contracts in 2016/17 and we hope to build upon this success. We also expect the balance to shift over from Unrestricted Grants as this source becomes more difficult to attain. We still have a strategy in place to foster relationships with the private sector, but we've remained cautious in our budget as to the amount of income these will generate, as it's still an untested and unpredictable area for us.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The company is a charitable company limited by guarantee and was set up by its Memorandum and Articles of Association on 25 March 1997.

The company's constitution is dated 25 March 1997 as amended by Special Resolution dated 20 February 2002 and is a registered charity (number 1093569).

There have been no changes in the objectives since the last annual report, method of appointment or election of Directors.

Recruitment and appointment of Directors

The Trustees, who are also the directors under Company Law, are responsible for the management and administration of the charitable company.

The current Directors were recruited and appointed by an open and efficient process managed by the Directors using the network of public, private and voluntary sector organisations that are involved or aligned to the work of The Key.

The Board met on six occasions during 2016/17. A Finance and Risk Sub-Group have also met on six occasions during 2016/17. Currently the Board is well balanced and includes expertise from the private, public and third sectors.

The Board of Directors were appointed using a skills audit. The areas of expertise covered between them are;

- Financial management, budget management, chartered accountancy
- Strategic planning, change management and project management
- Youth policy, voluntary youth work, statutory youth provision
- Sales, marketing, PR and communications
- Law (business, charity, employment, commercial property and health and safety)
- Corporate social responsibility
- Human resources, equality and diversity, policies and procedures and recruitment
- Learning and skills development
- High growth in small to medium enterprises

The Directors consider that they have complied with their duty to have due regard to public benefit guidance published by the Charity Commission.



Organisational structure and decision making

Our core organisational structure consists of a core team of 8 staff working under the guidance of our CEO. Delivery of The Key Framework is delivered both directly by Key employees and indirectly by trained and supported Key Facilitators who link to our Member organisations. In 2016/17 we had Members covering all Counties across the North East. Each Member pays an annual organisational membership fee. Facilitators' work is quality assured and their impact measured by employees of The Key. They are all DBS checked and all operate under the policies, procedures and insurances of their employing / supporting Member organisation.

Our Key Facilitators range from youth work professionals, community volunteers, youth offending team staff, detached youth workers, care workers, uniformed group leaders and learning mentors, to name but a few. Our networks also contain hundreds of individuals who volunteer to become Community Panel Members. These individuals volunteer directly for The Key and are trained for the role. However, they are never in a situation where they are alone with young people.

Related party relationships

The Key works with a diverse range of organisations as members, to support young people across the region. Each either employs or supports a small team of Key Facilitators. Amongst others these organisations include, youth work / detached work projects, schools, exclusion projects, youth offender programmes, democracy projects, church groups, BME groups, sports groups, voluntary groups, guides / scouts, Princes Trust, mental health projects, YMCA's, Barnardos, Duke of Edinburgh, prisons, training organisations, FE colleges, health groups and social housing providers. Each organisation is supported in their day to day activity by The Key.

Grant making trusts and foundations again provided much needed support with core funds by investing in building the capacity of the staff team and the longer term viability of the organisation. Such investors included Esmée Fairbairn Foundation, Paul Hamlyn Foundation, Tudor Trust, Garfield Weston, Children in Need and the Careers and Enterprise Company. We've also secured investment from the Cabinet Office (now DCMS) in partnership with Pears Foundation.

The Key is working with a growing number of private sector partners and their foundations too. Our partners have supported us with our core work and to develop pilots to work with specific groups of young people. We're delighted to be working once again with St James Place Partnership, Virgin Money, Sage UK and Kavli.

Pay policy of senior staff

The directors consider the board of directors, who are The Key's trustees, and the executive team comprise the key management personnel of the charity in charge of directing and controlling, running and operating The Key on a day to day basis. All directors give their time freely. Details of directors' expenses and related party transactions are disclosed in the notes to the financial statements. One director received remuneration in the year for consultancy services offered to Victoria Dunn our Deputy CEO when she stepped up to the position of Interim CEO during our CEO's maternity leave.

The pay of the senior staff is reviewed annually and normally increased in accordance with average earnings. In view of the nature of the charity, the directors benchmark against pay levels in other charities of a similar size. The remuneration bench-mark is the mid-point of the range paid for similar roles adjusted for a weighting of up to 30% for any additional responsibilities. If recruitment has proven difficult in the recent past a market addition is also paid with the pay maximum no greater than the highest benchmarked salary for a comparable role.

Risk management

The Directors have overall responsibility for establishing and maintaining The Key's risk management policy and for reviewing its effectiveness. Strategic risk assessment is carried out by the Finance and Risk Sub-Committee of the Board on all activities to ensure all major risks to which the charity is exposed have been considered as well as the overall impact they would have on the organisation. These risks are varied and cover areas including health and safety, client safeguarding, event management, fundraising, compliance and relationship management.

Risk management is carried out by developing approaches to mitigate each risk identified in the assessment, which are monitored at regular intervals. Procedures are then established to manage these risks. A system of internal controls and compliance has been designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. These are recorded monthly by the executive team and are discussed at bi-monthly Finance and Risk Sub-Committee Meetings. If required, issues are tabled at full Board meetings for further debate or decision.

A key element in the management of financial risk is the distribution of clear and transparent monthly management accounts and cash flow forecasts to the Directors and executive team; this is in addition to the monthly production of our strategic objective reports and Balanced Scorecard Dashboard (which details non-financial information). These reports exist to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of The Key's assets and interests, providing clear information to assist in effective risk management.

We monitor opportunity in a similar way in order to ensure we are managing The Key's potential for growth & development.



STATEMENT OF DIRECTORS RESPONSIBILITIES

The Directors (who are also trustees of The Keyfund Federation Limited for the purposes of charity law) are responsible for preparing the Directors' 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 Directors 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 Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- 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 Directors 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.

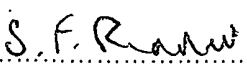
So far as each of the Directors is aware at the time the report is approved:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- the Directors 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.

Auditors

A resolution proposing that Haines Watts be reappointed as auditors of the charitable company will be put to the Annual General Meeting.

This report was approved by the Directors on 20/9 2017 and signed on its behalf, by:


Simon Riddell
Chair



Independent Auditors' Report to the members of Keyfund Federation Limited
For the year ended 31 March 2017

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

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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 18, 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 directors' 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 2017, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditors' Report to the members of Keyfund Federation Limited (continued)
For the year ended 31 March 2017

Opinion on other matter 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatement in the directors' report.

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 financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

A handwritten signature in black ink, appearing to read 'S Richardson'.

Steven Richardson FCA (Senior Statutory auditor)
For and on behalf of Haines Watts

27 September 2017

Statutory Auditor

Floor 11, Cale Cross House
156 Pilgrim Street
Newcastle upon Tyne
NE1 6SU

Statement of Financial Activities (incorporating the income and expenditure account)
For the year ended 31 March 2017

		Restricted Funds	Unrestricted Funds	Total Funds 2017	Total Funds 2016
	Notes	£	£	£	£
Income from:					
Donations	3	-	59,158	59,158	73,161
Charitable activities	4	471,678	73,671	545,349	416,586
Investment income	5	-	1,684	1,684	2,476
Total income		471,678	134,513	606,191	492,223
Expenditure on:					
Charitable activities	6	395,640	123,146	518,786	684,453
Total expenditure		395,640	123,146	518,786	684,453
Net income/expenditure before transfers		76,038	11,367	87,405	(192,230)
Transfers	16	(6,262)	6,262	-	-
Net movement in funds		69,776	17,629	87,405	(192,230)
Reconciliation of funds					
Total funds brought forward		168,213	94,057	262,270	454,500
Total funds carried forward		237,989	111,686	349,675	262,270

The Statement of Financial Activities includes all gains and losses recognised in the year.

All incoming resources and resources expended derive from continuing activities.



Balance Sheet
As at 31 March 2017

	Notes	Restricted Funds £	Unrestricted Funds £	2017 £	2016 £
Fixed assets:					
Tangible assets	13	-	5,566	5,566	-
		-	5,566	5,566	-
Current assets:					
Debtors	14	-	8,519	8,519	3,885
Cash at bank and in hand		237,989	118,268	356,257	278,349
		237,989	126,767	364,776	282,234
Liabilities:					
Creditors: amounts falling due within one year	15	-	(20,667)	(20,667)	(19,964)
Net current assets		237,989	106,120	344,109	262,270
Net assets		237,989	111,686	349,675	262,270
The funds of the charity:					
Unrestricted funds				111,686	93,846
Designated funds				-	211
				111,686	94,057
Restricted funds				237,989	168,213
	16			349,675	262,270

Approved by the Directors on 20/9 2017 and signed on their behalf by:


Robert Morton
Treasurer

Company Number: 3339120

The notes on pages 24 to 34 form part of these financial statements.



Statement of Cash Flows
Year ended 31 March 2017

	Notes	2017 £	2016 £
Net cash flow from operating activities:			
Net cash provided by (used in) operating activities	20	82,486	(172,428)
Cash flows from investing activities			
Interest received		1,684	2,476
Purchase of tangible fixed assets		(6,262)	-
Net cash provided by (used in) investing activities		(4,578)	2,476
Change in cash and cash equivalents in the reporting period		77,908	(169,952)
Cash and cash equivalents at the beginning of the year		278,349	448,301
Cash and cash equivalents at the end of the year		<u>356,257</u>	<u>278,349</u>
Cash and cash equivalents consist of:			
Cash at bank and in hand		<u>356,257</u>	<u>278,349</u>

1. Accounting Policies

1.1 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) issued on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2015.

Keyfund Federation Limited meets the definition of a public benefit under FRS 102. The financial statements are prepared under the historical cost convention or transaction value unless otherwise stated in the relevant accounting policy note(s). The financial statements are prepared in Sterling which is the functional currency of the charity and rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

1.2 Going concern

The financial statements have been prepared on a going concern basis as the Directors believe that no material uncertainties exist. The Directors have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

1.3 Funds

Unrestricted funds are available for use at the discretion of the Directors in furtherance of the general objectives of the charitable company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Directors for a particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors which have been raised by the charitable company for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

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

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the charity has entitlement to the funds, any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received.

Income from charitable activities includes income received under contract or where entitlement to grant funding is subject to specific performance conditions and is recognised as earned. Grant income included in this category provides funding to support performance activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with reasonable certainty. Income received to deliver services over a specific period covering more than one financial year is accounted for over the specific period; related expenditure is accounted when incurred.

Investment income relates to interest earned through holding assets on deposit.

1.5 Donated services and facilities

Donated services and facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the general volunteer time is not recognised and refer to the directors report for more information about their contribution.

Donated services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent benefit on the open market; a corresponding amount is then recognised in the expenditure for the period.

1.6 Expenditure and irrecoverable VAT

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably.

Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

1.7 Support cost allocation

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs, governance costs and administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity.

1.8 Intangible fixed assets and amortisation

Intangible assets represent the operating system used by the company and an online manual for licences.

These are amortised over the expected useful life of the assets on the following basis:

Operating system	- 3 years straight line
Online manual	- 2 years straight line

1.9 Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Office equipment	- 10% straight line
Computer equipment	- 33% straight line

All assets costing more than £500 are capitalised.

1.10 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.

1.11 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.

1.12 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 after allowing for any trade discounts due.

1.13 Financial instruments

The charity 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.



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

1.14 Pensions

The charitable company contributes to a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the charitable company. The annual contributions payable are charged to the Statement of Financial Activities.

1.15 Tax

The charity is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

2. Legal status

Keyfund Federation Limited is a company limited by guarantee, registered in England and Wales, (number 03339120) and not having a share capital. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

3. Income from donations

	2017	2016
	£	£
Donations	11,976	2,388
Donated services		
- Rent	27,403	40,773
- Computer hardware & support	19,779	30,000
	<u>59,158</u>	<u>73,161</u>

The Trust benefits greatly from the involvement and enthusiastic support of its many volunteers, details of which are given in our annual report. In accordance with FRS 102 and the Charities SORP (FRS 102), the economic contribution of general volunteers is not recognised in the accounts.



Notes to the financial statements (Continued)

4. Income from charitable activities

	2017 £	2016 £
Grants receivable	505,167	359,001
Membership income	25,956	29,683
Licence income	-	8,800
Training income	-	3,132
Other income	10,732	15,970
Product sales	3,494	-
	<u>545,349</u>	<u>416,586</u>

The income from charitable activities was £545,349 (2016 - £416,586) of which £471,678 (2016 - £346,501) relates to restricted funds and £73,671 (2016 - £70,085) relates to unrestricted funds.

5. Income from investments

All of the charitable company's investment income arises from money held in interest bearing deposit accounts.

6. Analysis of expenditure on charitable activities

	Activities undertaken directly £	Support Costs £	Total 2017 £	Total 2016
Charitable activities	<u>491,296</u>	<u>27,490</u>	<u>518,786</u>	<u>684,453</u>

Expenditure on charitable activities total £518,786 (2016 - £684,453) of which £395,640 (2016 - £408,483) relates to unrestricted funds and £123,146 (2016 - £275,970) relate to restricted funds.

7. Allocation of support costs

	Basis of allocation	2017 £	2016 £
Wages and salaries	Allocation of time	22,815	29,320
Premises costs	Allocation of floor space	-	2,082
Office costs	Allocation of floor space	-	762
Governance costs (note 8)	Invoiced	4,675	7,108
		<u>27,490</u>	<u>39,272</u>



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

8. Governance costs

	2017	2016
	£	£
Auditors' remuneration	4,500	4,500
AGM & Directors costs	175	2,608
	<u>4,675</u>	<u>7,108</u>

9. Net income/(expenditure) for the year

This is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets:		
- owned by the charity	696	88
Operating lease rentals	1,591	869
	<u>2,287</u>	<u>957</u>

10. Auditor's remuneration

	2017	2016
	£	£
Fees payable to the charity's auditors for the audit of the charity's annual accounts	4,500	4,500
	<u>4,500</u>	<u>4,500</u>



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

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

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	187,942	239,457
Social security costs	11,993	18,262
Other pension costs	3,892	5,196
	<u>203,827</u>	<u>262,915</u>

The average monthly number of employees and full time equivalent (FTE) during the year was as follows:

	2017 Number	2017 FTE	2016 Number	2016 FTE
Charitable activities	8	7.4	10	8.9

The number of employees who received total employee benefits (excluding employer pension costs) of more than £60,000 is as follows:

	2017 Number	2016 Number
£60,001 - £70,000	-	1

The charity trustees were not paid or received any other benefits from employment in the year (2016 – £nil) neither were they reimbursed expenses during the year (2016 - £nil). Andrew Silver received payments for consultancy work supplied to the charity amounting to £5,000.

The key management personnel of the charity comprise the trustees, and the Chief Executive Officer and the Deputy Chief Executive Officer (2016 - Chief Executive Officer only). The total employee benefits of the key management personnel of the charity were £71,597 (2016 - £61,200).

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

12. Intangible fixed assets

	Operating System & On-line Manual £
Cost	
At 1 April 2016 and 31 March 2017	6,120
Amortisation	
At 1 April 2016 and 31 March 2017	6,120
Net book value	
At 31 March 2017	-
At 31 March 2016	-

13. Tangible fixed assets

	Furniture Fittings & Equipment £
Cost	
At 1 April 2016	13,114
Additions	6,262
At 31 March 2017	19,376
Depreciation	
At 1 April 2016	13,114
Charge for the year	696
At 31 March 2017	13,810
Net book value	
At 31 March 2017	5,566
At 31 March 2016	-



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

14. Debtors

	2017	2016
	£	£
Trade debtors	6,068	2,151
Prepayments and other debtors	2,451	1,734
	<u>8,519</u>	<u>3,885</u>

15. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Trade creditors	3,618	13,782
Other creditors	17,049	6,182
	<u>20,667</u>	<u>19,964</u>

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

16. Fund reconciliation

	Brought Forward £	Incoming Resources £	Expenditure £	Transfers £	Carried Forward £
Unrestricted funds					
General funds	93,846	134,513	(123,146)	6,473	111,686
Designated funds					
Key funds – other	211	-	-	(211)	-
Total unrestricted funds	<u>94,057</u>	<u>134,513</u>	<u>(123,146)</u>	<u>6,262</u>	<u>111,686</u>
Restricted funds					
Key funds	101,135	207,500	(137,787)	-	170,848
Core funds	67,078	264,178	(257,853)	(6,262)	67,141
Total restricted funds	<u>167,213</u>	<u>471,678</u>	<u>(395,640)</u>	<u>(6,262)</u>	<u>237,989</u>
Total funds	<u>262,270</u>	<u>606,191</u>	<u>(518,786)</u>	<u>-</u>	<u>349,675</u>

Matched Key fund

The fund is to match contributions received via The Key's portfolio of products and services.

Key funds - other

These relate to unrestricted donations received during the year that the trustees have decided to use for Key funds.

Development fund

The fund is to enable us to develop systems and processes to support innovation.

Key funds

Represent funds received for distribution to groups of young people in order to implement the Key projects they have planned by participating in The Key Framework.

Core funds

Represents funds received to support delivery of The Key Framework to young people.

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

17. Leases

Operating leases – lessee

The future minimum lease payments under non-cancellable operating leases are as follows;

	Premises		Other
	2017	2016	2016
	£	£	£
Not later than one year	9,500	-	217
Later than one and not later than five years	28,500	-	-
More than five years	54,624	-	-
	<u>92,624</u>	<u>-</u>	<u>217</u>

18. Pension

Defined contribution pension

The charity operates a defined contribution pension plan for its employees. The amount recognised as an expense in the period was £3,892 (2016 - £5,196).

There was no liability due to the pension provider at the 31 March 2017 (2016 – £nil).

19. Related party transactions

There have been no transactions incurred with related parties during the period (2016 – none).

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

	2017	2016
	£	£
Net income/(expenditure) for the year	87,405	(192,230)
Interest received	(1,684)	(2,476)
Depreciation of tangible fixed assets	696	88
Decrease/(increase) in debtors	(4,634)	25,665
(Decrease)/increase in creditors	703	(3,475)
Net cash flow from operating activities	<u>82,486</u>	<u>(172,428)</u>