

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 2018

WEDNESDAY



A7CV18HT

A11

22/08/2018

#41

COMPANIES HOUSE



Contents

For the year ended 31 March 2018

| | Page |
|--|-------------|
| Welcome by the Chair and Chief Executive | 1 – 3 |
| Directors' report | 4 – 18 |
| Auditors' report | 19 - 20 |
| Statement of financial activities | 21 |
| Balance sheet | 22 |
| Cash flow statement | 23 |
| Notes to the financial statements | 24 - 34 |



Welcome from the Chair, Chief Executive and Deputy Chief Executive
For the year ended 31 March 2018

Welcome to The Key's Annual Report and Audited Accounts for 2017/18.

This year, we're thrilled to announce that with help and support from our dedicated and loyal Key Facilitators, we have been able to inspire belief in even more young people from across the North East during 2017-18. This year we provided support to 2,213 young people, which is an increase of 34% from 2016-17.

Young people were provided with a unique opportunity to develop their confidence and skills, whilst developing some of their very own amazing project ideas, which have benefitted over 16,037 members of the community. We've had the pleasure of witnessing some incredible stories showing the real impact of our programme The Key Framework. Each of the 540 projects that have been developed have helped to showcase young people's creativity, talents, resilience and sheer determination to achieve their potential. Planning these project has helped young people to respond to the challenges they face (mental health, young parents, young carers, looked after children, being in a minority group, youth unemployment or just simply lacking opportunity).

Some of our favourite group names included Audacious Armadillos, MC Sausages, Historyantics, Fearsome Fairies, Savage Cucumbers and Supercaligragilisticmugdocious. Each of the young people we work with continue to amaze us. Below are some of our favourite groups from 2017-18.

- **Pakora Party** set up their own tasty business selling and delivering home cooked tasty Pakoras. The group made over £600 profit, which they donated to the Samosa Sister Women's Empowerment charity. The judges were blown away by the entrepreneurial spirit of these three young people shown through their smart routes to market.
- **Fantastic Four** took photos of their local community showcasing the good and the bad. Inviting councillors and local residents along to view their images, the group created a conversation about what needed to be done to improve their area. The Fantastic Four inspired councillors to act and received funding to go ahead and make the changes.
- **WAGS Festival** are a group of young girls who came together to organise a sports festival across six schools. The festival brought together over 54 girls who were given the opportunity to take part in a variety of different sports including dodgeball and benchball.
- **Runaway Samba** helped to raise significant awareness of mental health and suicide prevention in their local community after being inspired by recent events. This group brought hundreds of people for an evening of celebration with hopes of raising funds for mental health charities. All in all, this group carried out an unbelievable event that helped build friendships in their local community and raise over £600 for charity.

We're proud to be able to support young people to identify their passions and generate the drive and determination to do something meaningful with them. This is one of the main reasons why we are keen to further embed the views and feedback of young people into our organisation and have been successful in establishing our first youth advisory group. They meet monthly to support us to engage young people in strategic and operational decision making here at The Key.



Welcome from the Chair, Chief Executive and Deputy Chief Executive
For the year ended 31 March 2018

We were delighted that 64 organisations renewed their memberships and 21 members joined The Key with 19 still due for renewal in 2018. However, we were sad to hear that 28 organisations were unable to renew their memberships due to suffering huge budget cuts; having to withdraw from delivering youth services or having to close their doors for good. This is indicative of the hugely challenging environment the North East youth and community sector is facing. We still remain extremely grateful to our network of 376 Key Facilitators, Community Panel Members and other volunteers who continue to dedicate their time to support us to inspire belief in young people.

In addition to completing The Key Framework, young people were also given the opportunity to volunteer with The Key to develop their skills further by planning two events. The events were a huge success, with 379 young people attending a pirate party and Halloween cinema party as part of our 25th anniversary celebrations thanks to Children in Need.

In addition to the amazing achievements of our young people, The Key continued to punch above its weight in 2017-18 and was introduced to some exciting opportunities. We were approached by Paul Hamlyn Foundation to explore scaling The Key across the UK in September 2017. Since then, we've invested our time in exploring ideas with the support of a Scale Up Working Group (a group of CEO's, Managing Directors and senior professionals from private, public and voluntary sector) to support us to develop a five year strategic scale up plan. We received £140k seed funding support from Paul Hamlyn Foundation to support us to with this planning process, to test our initial ideas and to help prepare us for growth.

We are delighted to welcome Hays Travel as a new funder this year and would like to thank Tudor Trust, Kavli Fondet and St James Place Foundation for their continued dedication and support, which is invaluable. We were thrilled to be invited to apply to become one of the five North East partners of the Virgin Money Foundation iWill Fund to continue our work engaging young people in youth social action through The Key Framework. Sage Foundation chose us as one of three charities across UK and Europe to pitch for up to \$30,000 at the Big Give Live in Seville, Spain. Our Deputy CEO and Marketing and Fundraising Manager's pitch was a success and we were awarded £10,000 in second place.

Following on from our success in being nominated as one of the 26 charities across the Commonwealth to receive funding from the Duke and Duchess of Cambridge's Royal Wedding Charitable Gift Fund, we were thrilled to receive an invitation to attend the Duke and Duchess of Sussex Royal Wedding. Our CEO Hannah and Deputy CEO, Victoria represented The Key as two of only 1,200 members of the public taking part in the ceremony at Windsor Castle. We were able to capitalise on this opportunity by securing thousands of pounds worth of media coverage to raise the profile of The Key and awareness of the amazing things young people can achieve when they have access to the right support and opportunities.

After four years of dedicated support, we were sad to see Simon Riddell step down from his position as Chair of The Key and retire from our Board of Trustees. We would like to take this opportunity to thank him for sharing his invaluable expertise, advice, guidance and contacts with the CEO and Interim CEO during his tenure and would like to wish him the best with his future endeavours. We welcomed Leigh Thompson as a new Trustee. Among other things, Leigh is an expert in Corporate Social Responsibility and has over 20 years' experience working as the Lead for UK and Europe with Sage UK.

Keyfund Federation Limited
(A company limited by guarantee)



Welcome from the Chair, Chief Executive and Deputy Chief Executive
For the year ended 31 March 2018

We would like to take this opportunity to give unreserved thanks to all of our supporters who have continued to give their time, advice, funds, support and commitment over the past year to help us to inspire belief in even more young people. We look forward to reaching more young people and further increasing our impact across the North East and beyond in 2018-19.

Finally, we would like to thank each and every one of the thousands of amazing young people who share their passions, their time and their energy to make a positive difference to their lives and the lives of many other members of the community.

Thanks and very best wishes

Andrew Silver
Chair

Hannah Underwood
CEO

Victoria Dunn
Interim / Deputy CEO



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

| | |
|--------------------|---|
| Andrew Silver | (Chair) |
| Lisa Charles-Jones | |
| Peter Clegg | |
| Paul Lewney | (Vice Chair) |
| Simon Riddell | (Resigned 20 th September 2017) |
| Julian Thomas | |
| Robert Morton | |
| Neil Hemming | |
| Lyn Horton | |
| Leigh Thompson | (Appointed 20 th September 2017) |

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 2018 which are also prepared to meet the requirements for the directors report and accounts for Companies Act purposes.

The financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity's governing document, the Charities Act 2011 and 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 published on 16 July 2014 (as amended by Update Bulletin 1 published on 2 February 2016).

OBJECTIVES AND ACTIVITIES

How we do it

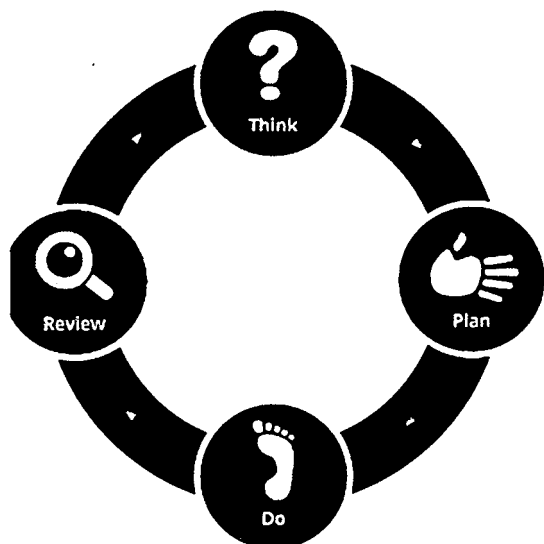
The Key exists to inspire belief in young people. We want to create a world where young people believe in their ideas and take responsibility for living them. Our mission is to help young people to realise their potential by discovering what they are capable of and helping them to generate the drive and determination to do something meaningful with it.

For the last 25 years The Key has been providing young people (11 – 25 years old) who reside in areas of high deprivation and face multiple and complex barriers to progression with the support and opportunities they need.

The Key Framework

The Key Framework is simple, but highly effective. Young people work together in small teams with the help of a trained Key Facilitator. Using their individuality, curiosity and imaginations young people are given the autonomy to dream-up, plan, budget, pitch (to a panel), deliver and evaluate their very own project ideas. Our 95% retention rate demonstrates how this ownership is highly motivating and helps them to show a real commitment to achieving their goals.

As young people complete The Key Framework they build important personal and social skills (The 12 Key Skills). The 12 Key Skills help young people to meet the three psychological needs represented by Self-Determination Theory (Autonomy, Relatedness and Competence). These vital ingredients help young people to develop a 'growth mindset', to take control and go on to lead more independent, sustainable and successful lives.



Even though young people's projects are fantastic and provide personal development opportunities for each of the young people involved; seven members of the community benefited as a direct result of young people's projects. This clearly demonstrates the positive ripple effect and the double benefit of The Key Framework to both the participants and the communities they care about.

Young people can complete The Key Framework up to four times, each time further developing themselves by planning more challenging projects with greater community reach.

During the last five years we have supported 13,673 young people to develop 2,996 projects, which have benefitted 139,879 members of the community. As a result, young people improved their confidence and wellbeing by developing life skills and forming a growth mindset. This went on to help them to make 8,054 positive steps into employment, education, training and/or volunteering.

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.

The Key is run by a lithe and efficient team of employees and are reliant upon the help of our extensive network of volunteers to deliver The Key Framework with young people and support effective and efficient running of the organisation. The Key offers a wide range of volunteering opportunities for both young people and adults, ranging from young people becoming an active member of our youth advisory group or key alumni or accessing pro-bono professional support from individuals and employees from corporate partners to structured volunteering roles working directly with young people such as Key Facilitators and Community Panel Members. We would like to take this opportunity to thank all of our volunteers for their loyalty and dedication and hope that they continue to support us in 2018-19.



ACHIEVEMENTS AND PERFORMANCE

Progress against strategic objectives

During 2017-18, we have successfully managed to navigate a number of challenges and pressures posed by the external environment to deliver a fantastic result in terms of our impact on young people.

When planning for 2017-18 we took three major factors into consideration:

1. The Key Framework is a proven and efficient model for youth engagement and development. We have the internal skills, knowledge and resources needed to innovate and replicate this model in order to inspire belief in young people, tackle a range of societal issues and meet investors requirements. We must capitalise on these assets without compromising our core values, ethos and reason for our existence.
2. As the youth sector continues to rapidly evolve and change shape to respond to what continues to be a very challenging economic and social environment, 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. With continued cuts and disinvestment in local youth provision through public services and potentially European sources, higher competition for funding and a heavy focus on 'more targeted' youth work, we must remain vigilant, forward thinking and truly understand the impact of this of these cuts (decline in Key Facilitators, registered/granted projects and consequently the number of young people accessing The Key Framework since 2010).
3. Given the internal and external challenges outlined, we proposed a year of consolidation in 2017-18 to enable us to focus on reducing the decline of young people accessing The Key Framework, develop new income streams and identify new routes to market to help us to sustain the organisation and its future.

With this in mind, we set five strategic objectives for 2017-18. Please find an update below regarding how we performed against these objectives.

1. Deliver research and development activity into at least one new commercial opportunity

Here at The Key, we continued to develop new and innovative new ways of delivering The Key Framework to increase our impact and diversify our income streams to support future sustainability of the organisation.

In 2016-17 we were successful in securing a contract with Careers and Enterprise Company to deliver The Key Framework to 800 of the most disengaged young people from 26 secondary schools to engage them with the careers and enterprise curriculum. This provided us with a platform to pilot our direct delivery model. The contract was a success and we were keen to understand how we could use this opportunity to increase our impact and generate long-term sustainable income.



In September 2017, we were awarded grants plus funding from Esmée Fairbairn to hire an independent consultant to support us to refine our product/service offer. They undertook a robust market analysis to understand whether the model had potential to generate income and they developed a pricing strategy. It is clear from discussions with decision makers and teachers that they are keen to build a relationship and value The Key Framework. This is evidenced by the fact that 17 schools have now taken up a standard Key membership (where they provide their own facilitators). However, although professionals in education can see the benefit for their young people, evaluation from our independent consultant reported that the cost of our direct delivery model would be prohibitive. Due to the challenging economic environment currently being faced by schools, many are forced to invest unrestricted budgets (such as Pupil Premium) on balancing other budget deficits and where external support is 'bought in' it's mainly with an exclusive focus on driving academic performance as opposed to improving personal, social and economic education or character education. We are therefore continuing to offer schools the opportunity to become a member of The Key, but have decided not to invest in the creation of a direct delivery offer until the financial climate and priorities change for the secondary school sector.

In addition to this, we have also spent a significant amount of time exploring and understanding how The Key Framework could be used as an early intervention and preventative model to improve mental health and emotional wellbeing. Discussions have taken place with Clinical Leads for Children and Young People's Mental Health and Commissioners within Clinical Commissioning Groups and Public Health to understand whether there is an appetite for this type of provision and how we can contribute to NHS and Public Health outcomes. We will continue to build relationships with senior decision makers in health and aim to deliver a pilot in 2018-19 to support us to evidence the impact of our model in this market.

2. Identify new routes to market to enable us to reach young people who aren't currently able to access The Key Framework.

With continued reductions in government spending on young people and changes to statutory youth services, many organisations have been forced to close or cease delivering universal youth provision due to a lack of investment. Many others have moved to more innovative models of delivery and many youth services have become volunteer-led to ensure their future sustainability. Since the change to our organisational membership model, we have had to become more vigilant and stay closely connected to youth and community organisations, to give us the best chance of adapting and responding to future challenges posed by this disinvestment.

The Key is currently managing a network of 103 youth and community organisations who support us to deliver The Key Framework to young people across the North East. A recruitment and retention plan were developed to enable us to identify and engage new organisations/sectors who provide specialist, targeted and social care provision to young people that may benefit from The Key. This included targeting services such as Looked After Children and Youth Offending Teams. As a result of this targeted approach, 59% of new organisations recruited are from a 'non-traditional' youth and community background. We believe this diversification in our membership is becoming a great strength by providing resilience and access to different groups of young people.



3. Deliver high quality service to sustain and strengthen The Key, including implementing a strategy to formally engage young people in shaping the organisation.

One of the core components of The Key Framework is our ability to provide young people with an opportunity and autonomy to think up their very own unique project ideas and see them through to completion. The Key strongly believes in our youth-led ethos and approach and was keen to involve and embed young people at every level within our organisation. To celebrate our 25th anniversary we also hosted two unique youth-led events and The Key Awards, which engaged 379 young people.

These events were designed and planned by young people who have now progressed to form part of our very first youth advisory group. The group brings together 8 - 10 young people each month who have experience of completing various stages of The Key Framework to seek their knowledge, understanding and advice regarding what it is like to be a young person to inform strategic planning and operational decision making within The Key.

4. Strengthening our impact measurement framework to help us to better understand and evidence our value.

We were selected as one of only six organisations across the UK to take part in Generation Change's 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. This work has been paramount to helping us review our current Theory of Change and develop a more comprehensive measurement framework to underpin it. Since then, we have received pro-bono volunteer support from a student from Newcastle University to help us to identify secondary research to support and evidence our Theory of Change. We have explored and identified over 52 tools, which could be used to support us to measure The Key Framework's contribution to developing a growth mindset (confidence, self-esteem and resilience) as well as strengthen other areas in our impact measurement framework. This work is on-going and will continue well into 2018-19.

5. Raise the profile of The Key in our 25th Year.

Following a significant investment in marketing in 2016-17, The Key have continued to raise the profile of the charity and its impact throughout its 25th anniversary year. This year we have secured press coverage in an average of three local/regional media or third sector publications or on-air per month. Social media engagement has increased - Twitter +14%, Facebook +16%, Instagram +32% and Linked In +94%. Despite achieving a lower number of page views on www.thekeyuk.org (13,442 against an ambitious target of 22000); we have seen an increase in the number of new users accessing our website from 5,442 (2016-17) to 5,657 (2017-18). However, we are aware that we need to invest further in search engine optimisation, our systems and our website to increase The Key's profile online.



Other Strategic Developments 2017-18

Scale Up Opportunity

In September 2017, we were approached by Paul Hamlyn Foundation with an incredible opportunity to consider scaling The Key Framework across the UK. After initial discussions, we embarked on a unique and exciting journey to explore and plan how we could scale our model to inspire belief in more young people and encourage collaboration across the youth and community sector. We were invited to pitch our initial growth plan to the Paul Hamlyn Foundation who could see the potential we have to offer. As a result, they invested £100,000 plus £40,000 consultancy support to help us to establish our plans more formally and to put us in a stronger position for growth from 2019 onwards.

Our initial plans included expanding and diversifying our membership to include non-traditional youth and community organisations, diversifying our income streams by testing four new routes to market, strengthening our impact measurement framework and systems and raising the profile of The Key with more young people. Since then we have established a Scale Up Working Group involving ten CEO's, Managing Directors and senior leaders who have experience of scale to support us to develop our five-year strategic plan and outline our vision for scale and the future. This group has been extremely developmental and thought-provoking for The Key. We are feeling very positive about the future of scaling The Key and look forward to updating you on our progress in 2018-19 accounts.

Royal Wedding

The Key have always had a great relationship with and fondness of the Royal Family. In 2012, we were lucky enough to be nominated as one of the 26 charities across the Commonwealth to receive funding from Duke and Duchess of Cambridge's Royal Wedding Charitable Gift Fund and invited to take young people to attend the Queens Diamond Jubilee Concert at Buckingham Palace. In 2018, we were delighted to receive an invitation to attend the Duke and Duchess of Sussex Royal Wedding at Windsor Castle. Not only was it an amazing experience, but it provided an excellent opportunity to raise awareness of The Key and our work with young people.

For the first time in five years, we were thrilled to have increased the number of amazing young people successfully completing The Key Framework. In 2017-18 we were able to support 2,213 young people to develop 540 of their very own unique project ideas (which equates to a 34% increase from 2016-17), which benefitted 16,037 members of the community demonstrating the positive ripple effect of The Key Framework in local communities. As a direct result of The Key Framework, 908 young people supported were able to make successful transitions into education, training, volunteering and/or employment.

Whilst this increase is a significant achievement, 136 granted projects were delivered directly by our pool of paid Key Facilitators as part of the Careers and Enterprise Company contract in secondary schools. This means that a total of 404 granted projects were delivered by our membership network throughout the year in comparison to 272 in 2016-17.



In order to achieve our performance target regarding the number of young people who successfully complete The Key Framework, we set ourselves a target to recruit new members up to the value of 130 project credits. Thanks to our recruitment efforts, we were delighted to welcome 21 new members to the fold (totalling 165 new project credits between them). However, sadly 28 organisations were unable to renew their membership between January – March 2018 due to staff cuts, closures or withdrawal of universal youth provision. This equated to a loss of 210 project credits, meaning we ended the year with an overall increase to our membership of only 20 credits.

Young people who successfully completed The Key Framework believe they had improved their development of The 12 Key Skills by an average of 17 points per stage (each of The 12 Key Skills are rated on a scale of 1 – 10 points). This is in comparison to 16.8 points per stage in 2016-17, which shows a slight improvement. We hope to continue to increase this upwards trend, whilst introducing new measures as part of our revised impact measurement framework in 2018-19.

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 2017-18 we started the year with £111,686. A contribution of £8,894 has brought this total up to £120,580. This currently represents about 4 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 2018-19 income and expenditure budget to make a contribution of £17,851 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 2017-18, was a good year financially. Despite a very challenging environment, we were delighted to make a contribution of £8,894 to our reserves at year end and entered 2018-19 with a core balance of £48,071 and a Key Funds balance of £111,217.

We started 2017-18, with an opening restricted Key Funds balance of £171k. Total incoming Key Funds for the year amounted to £110k (2016-17: £208k). The total Key Funds expended (including restricted and unrestricted Key Funds) was £170k (2016-17: £138k), leaving a total Key Fund balance to carry forward into 2018 of £111k.

We started 2017-18 with restricted core funds of £67k (2016-17: £67k). Total incoming restricted core funds for the year amounted to £195k (2016-17: £264k). The total restricted core funds expended was £215k (2016-17: 264k). £48k of restricted core funds was carried forward into 2018.

We started 2017-18 with £112k of unrestricted general funds (i.e. reserves). The total incoming unrestricted general funds for the year amounted to £124k (2016-17: £135k). The total unrestricted core funds expended was £114k (2016-17: £123k) leaving a total unrestricted general fund of £121k (2016-17: £112k).

We raised £65k less core funds than budgeted during the year. The main areas of deficit against the budget came from restricted grants and product sales. However, we raised £14k in unrestricted grants and saw a slight increase in membership and training (£3.5k) and donations (£1k) giving us the freedom to focus on strengthening our core proposition. Although memberships and training and donations remain small we believe these are important avenues for our future sustainability. We will continue to implement strategies to generate further income from these sources in 2018-19.

Core expenditure was less than budgeted by £45.5k. The main areas of underspend include staffing (£17.5k), which was down due to a position becoming vacant and not replaced; administration (£15.5k) as we incurred less IT and marketing expenditure than anticipated and delivery (£10k) as expenditure associated with the Careers and Enterprise Company contract came in under budget.

Key Funds income raised was £44k less than budgeted during the year. We saw an overspend in Key Funds expenditure of £18k due to a significant increase in the amount of young people who were supported to successfully complete The Key Framework. Whilst this is an overspend, we are delighted that we have been able to inspire belief in more young people than originally expected at the start of the year and we have a healthy opening balance of Key Funds for 2018-19 (£111k) which represent over 8 months of budgeted expenditure for the year. This is in addition to our guaranteed key fund income for 2019-20 of £105k.

We continue to strive for diversity in our income streams, to increase our financial resilience, but recognise this will not be an easy challenge.

What we are doing in 2018-19

In order to ensure The Key is in a strong position for growth and to successfully navigate the challenges and pressures faced by the external environment in which we operate, in 2018-19 we will need to continue in the spirit, dedication and informed, but bold decision making shown in prior years.

Bearing these in mind in 2018-19, we aim to deliver the following strategic objectives:

1. Design and implementation of a Board Development and Recruitment Strategy to include an induction programme and board sub groups (Youth Advisory Group and Income Generation).
2. Completion of a 3 – 5 year strategic growth plan.
3. Completion of the Theory of Change, data collection framework and narrative.
4. Design and implementation of a Membership Recruitment and Retention Strategy.
5. Design and implementation of a Youth Engagement Strategy. To include further development of the Youth Advisory Group.

| Key Performance Indicator | 2018-19 Target | 2017-18 | Comment on 2018-19 Target |
|---|----------------|---------|--|
| Number of young people in granted projects | 1816 | 2213 | Target set based on number of projects delivered in existing network (404 granted projects as 136 were directly delivered as part of Careers and Enterprise company contract). We also took into consideration total network capacity at the end of the financial year (705 project credits) and membership utilisation rate of 33%. |
| Capacity growth of network (In projects) | 190 | 20 | This was calculated based on the current size of our network and a membership utilisation rate of 33% to support us to inspire belief in 1816 young people throughout 2018-19. |
| Young people involved in shaping the organisation | 8 | 8 | Target is based on the number of young people who regularly engage in our youth advisory group and contributing to strategic decision making within The Key. The focus is on broadening representation of this group and ensuring it is inclusive. |
| Skills point increase for young people | 17 | 17 | This target is to ensure we continue to deliver high quality services to young people and ensure our impact is consistent. |



Financial targets

Our primary financial aim is to generate enough core and key funds to efficiently deliver against all of our social impact targets and strategic objectives for the year. Beyond this our budget for 2018-19 will enable us to contribute £17k to our unrestricted general funds (i.e. reserves). This will bring our total reserves to £133k, which represents 4.9 months of core operating costs. Our reserves policy has a target of reaching 6 months reserves, so we aim to close this gap.

We plan to turnover £571k with a combined Core and Key Fund expenditure of £541k. This is made up of £401k core funds (£181k of which is already guaranteed) and £171k key funds (of which £105k is already guaranteed). This leaves us with an in-year income generation target of £285k.

We are forecasting that 46% of core income will come from restricted grant income as compared to 61% in 2017-18. We hope to build upon this positive shift towards unrestricted grant income to support us to be flexible in how we plan, grow our other income streams (memberships, products and donations) and identify new opportunities to generate income to support future sustainability of The Key.

We are forecasting 74% (£288k) of core income in 2018-19 will come from restricted grant income as compared to 55% (£193k) in 2017-18. This anticipated increase is due to the fact that we successfully delivered two large national contracts in 2017-18 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 2017-18. A Finance and Risk Sub-Group have also met on six occasions during 2017-18. 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.

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 2017-18 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, Hays Travel, Tudor Trust, Garfield Weston and Children in Need.

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.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

This report was approved by the Directors on 31/7/..... 2018 and signed on its behalf, by:

Andrew Silver
Chair



Independent Auditors' Report to the members of Keyfund Federation Limited
For the year ended 31 March 2018

Opinion

We have audited the financial statements of Keyfund Federation Limited (the 'charitable company') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018, 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



Independent Auditors' Report to the members of Keyfund Federation Limited (continued)
For the year ended 31 March 2018

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report (incorporating 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 the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

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

Responsibilities of trustees

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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Independent Auditors' Report to the members of Keyfund Federation Limited (continued)
For the year ended 31 March 2018

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

3/8/18

Statutory Auditors

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 2018

| | | Restricted Funds | Unrestricted Funds | Total Funds 2018 | Total Funds 2017 |
|--|--------------|-----------------------------|-------------------------------|---------------------------------|---------------------------------|
| | Notes | £ | £ | £ | £ |
| Income from: | | | | | |
| Donations | 3 | - | 5,535 | 5,535 | 59,158 |
| Charitable activities | 4 | 305,255 | 117,911 | 423,166 | 545,349 |
| Investment income | 5 | - | 805 | 805 | 1,684 |
| Total income | | 305,255 | 124,251 | 429,506 | 606,191 |
| Expenditure on: | | | | | |
| Charitable activities | 6 | 384,914 | 114,399 | 499,313 | 518,786 |
| Total expenditure | | 384,914 | 114,399 | 499,313 | 518,786 |
| Net income/expenditure before transfers | | (79,659) | 9,852 | (69,807) | 87,405 |
| Transfers | 16 | 958 | (958) | - | - |
| Net movement in funds | | (78,701) | 8,894 | (69,807) | 87,405 |
| Reconciliation of funds | | | | | |
| Total funds brought forward | | 237,989 | 111,686 | 349,675 | 262,270 |
| Total funds carried forward | | 159,288 | 120,580 | 279,868 | 349,675 |

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 2018



| | Notes | Restricted Funds £ | Unrestricted Funds £ | 2018 £ | 2017 £ |
|--|-------|--------------------------|----------------------------|----------------|----------------|
| Fixed assets: | | | | | |
| Tangible assets | 13 | - | 3,478 | 3,478 | 5,566 |
| | | <u>-</u> | <u>3,478</u> | <u>3,478</u> | <u>5,566</u> |
| Current assets: | | | | | |
| Debtors | 14 | - | 4,246 | 4,246 | 8,519 |
| Cash at bank and in hand | | 159,288 | 142,449 | 301,737 | 356,257 |
| | | <u>159,288</u> | <u>146,695</u> | <u>305,983</u> | <u>364,776</u> |
| Liabilities: | | | | | |
| Creditors: amounts falling due within one year | 15 | - | (29,593) | (29,593) | (20,667) |
| Net current assets | | <u>159,288</u> | <u>117,102</u> | <u>276,390</u> | <u>344,109</u> |
| Net assets | | <u>159,288</u> | <u>120,580</u> | <u>279,868</u> | <u>349,675</u> |
| The funds of the charity: | | | | | |
| Unrestricted funds | | | | 120,580 | 111,686 |
| Restricted funds | | | | 159,288 | 237,989 |
| | 16 | | | <u>279,868</u> | <u>349,675</u> |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved by the Directors on 31/7/..... 2018 and signed on their behalf by:


.....
Robert Morton
Treasurer

Company Number: 3339120

The notes on pages 25 to 34 form part of these financial statements.



Statement of Cash Flows
Year ended 31 March 2018

| | Notes | 2018 £ | 2017 £ |
|--|-------|------------|-----------|
| Net cash flow from operating activities: | | | |
| <i>Net cash provided by (used in) operating activities</i> | 20 | (55,325) | 82,486 |
| Cash flows from investing activities | | | |
| Interest received | | 805 | 1,684 |
| Purchase of tangible fixed assets | | - | (6,262) |
| <i>Net cash provided by (used in) investing activities</i> | | 805 | (4,578) |
| Change in cash and cash equivalents in the reporting period | | (54,520) | 77,908 |
| Cash and cash equivalents at the beginning of the year | | 356,257 | 278,349 |
| Cash and cash equivalents at the end of the year | | 301,737 | 356,257 |
| Cash and cash equivalents consist of: | | | |
| Cash at bank and in hand | | 301,737 | 356,257 |



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 (as updated through Update Bulletin and published on 2 February 2016), 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 Accounting Practice as it applies from 1 January 2016.

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 2018

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.



Notes to the financial statements (*Continued*)
for the year ended 31 March 2018

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 2018

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

| | 2018 £ | 2017 £ |
|-------------------------------|--------------|---------------|
| Donations | 5,535 | 11,976 |
| Donated services | | |
| - Rent | - | 27,403 |
| - Computer hardware & support | - | 19,779 |
| | <u>5,535</u> | <u>59,158</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)
for the year ended 31 March 2018

4. Income from charitable activities

| | 2018 | 2017 |
|-------------------|----------------|----------------|
| | £ | £ |
| Grants receivable | 380,793 | 505,167 |
| Membership income | 25,776 | 25,956 |
| Training income | 99 | - |
| Other income | 16,498 | 10,732 |
| Product sales | - | 3,494 |
| | <u>423,166</u> | <u>545,349</u> |

The income from charitable activities was £423,166 (2017 - £545,349) of which £305,255 (2017 - £471,678) relates to restricted funds and £117,911 (2017 - £73,671) 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 2018 | Total 2017 |
|-----------------------|---------------------------------------|----------------------|-------------------|-------------------|
| | £ | £ | £ | |
| Charitable activities | 473,101 | 26,211 | 499,312 | 518,786 |
| | <u>473,101</u> | <u>26,211</u> | <u>499,312</u> | <u>518,786</u> |

Expenditure on charitable activities total £499,312 (2017 - £518,786) of which £121,196 (2017 - £395,640) relates to unrestricted funds and £384,914 (2017 - £123,146) relate to restricted funds.

7. Allocation of support costs

| | Basis of allocation | 2018 | 2017 |
|---------------------------|----------------------------|---------------|---------------|
| | | £ | £ |
| Wages and salaries | Allocation of time | 21,711 | 22,815 |
| Governance costs (note 8) | Invoiced | 4,500 | 4,675 |
| | | <u>26,211</u> | <u>27,490</u> |



Notes to the financial statements (Continued)
for the year ended 31 March 2018

8. Governance costs

| | 2018 | 2017 |
|------------------------|--------------|--------------|
| | £ | £ |
| Auditors' remuneration | 4,500 | 4,500 |
| AGM & Directors costs | - | 175 |
| | <u>4,500</u> | <u>4,675</u> |

9. Net income/(expenditure) for the year

This is stated after charging:

| | 2018 | 2017 |
|--|---------------|--------------|
| | £ | £ |
| Depreciation of tangible fixed assets: | | |
| - owned by the charity | 2,088 | 696 |
| Operating lease rentals | 10,229 | 1,591 |
| | <u>12,317</u> | <u>2,287</u> |

10. Auditor's remuneration

| | 2018 | 2017 |
|---|--------------|--------------|
| | £ | £ |
| 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 2018

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

Staff costs were as follows:

| | 2018 | 2017 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 179,165 | 187,942 |
| Social security costs | 13,700 | 11,993 |
| Other pension costs | 11,429 | 3,892 |
| | <u>204,294</u> | <u>203,827</u> |

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

| | 2018 | 2018 | 2017 | 2017 |
|-----------------------|---------------|-------------|---------------|-------------|
| | Number | FTE | Number | FTE |
| Charitable activities | <u>8</u> | <u>7.4</u> | <u>8</u> | <u>7.4</u> |

There were no employee who earned more that £60,000 (2017 – none).

The charity trustees were not paid or received any other benefits from employment in the year (2017 – £nil) neither were they reimbursed expenses during the year (2017 - £nil). Andrew Silver received payments for consultancy work supplied to the charity amounting to £2,500 (2017 - £nil).

The key management personnel of the charity comprise the trustees, and the Chief Executive Officer and the Deputy Chief Executive Officer. The total employee benefits of the key management personnel of the charity were £67,375 (2017 - £71,597).



Notes to the financial statements (Continued)
for the year ended 31 March 2018

12. Intangible fixed assets

| | Operating System & On-line Manual £ |
|-----------------------------------|---|
| Cost | |
| At 1 April 2017 and 31 March 2018 | 6,120 |
| Amortisation | |
| At 1 April 2017 and 31 March 2018 | 6,120 |
| Net book value | |
| At 31 March 2018 | - |
| At 31 March 2017 | - |

13. Tangible fixed assets

| | Furniture Fittings & Equipment £ |
|-----------------------|---|
| Cost | |
| At 1 April 2017 | 19,376 |
| Additions | - |
| At 31 March 2018 | 19,376 |
| Depreciation | |
| At 1 April 2017 | 13,810 |
| Charge for the year | 2,088 |
| At 31 March 2018 | 15,898 |
| Net book value | |
| At 31 March 2018 | 3,478 |
| At 31 March 2017 | 5,566 |



Notes to the financial statements (Continued)
for the year ended 31 March 2018

14. Debtors

| | 2018 | 2017 |
|-------------------------------|--------------|--------------|
| | £ | £ |
| Trade debtors | 2,776 | 6,068 |
| Prepayments and other debtors | 4,470 | 2,451 |
| | <u>7,246</u> | <u>8,519</u> |

15. Creditors: amounts falling due within one year

| | 2018 | 2017 |
|-----------------|---------------|---------------|
| | £ | £ |
| Trade creditors | 8,374 | 3,618 |
| Other creditors | 21,219 | 17,049 |
| | <u>29,593</u> | <u>20,667</u> |

16. Fund reconciliation

| | Brought Forward | Income | Expenditure | Transfers | Carried Forward |
|---------------------------------|-----------------|----------------|--------------------|----------------|-----------------|
| | £ | £ | £ | £ | £ |
| Unrestricted funds | | | | | |
| General funds | 111,686 | 124,251 | (114,398) | (958) | 120,580 |
| Total unrestricted funds | <u>111,686</u> | <u>124,251</u> | <u>(114,398)</u> | <u>(958)</u> | <u>120,580</u> |
| Restricted funds | | | | | |
| Key funds | 170,848 | 110,000 | (169,631) | - | 111,217 |
| Core funds | 67,141 | 195,255 | (215,283) | 958 | 48,071 |
| Total restricted funds | <u>237,989</u> | <u>305,255</u> | <u>(384,914)</u> | <u>958</u> | <u>159,288</u> |
| Total funds | <u>349,675</u> | <u>429,506</u> | <u>(499,312)</u> | <u>-</u> | <u>279,868</u> |

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 2018

17. Leases

Operating leases – lessee

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

| | Premises | | Other | |
|--|-----------------|---------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Not later than one year | 9,500 | 9,500 | 729 | 729 |
| Later than one and not later than five years | 28,500 | 28,500 | 1,094 | 1,823 |
| More than five years | 45,124 | 54,624 | - | - |
| | <u>83,124</u> | <u>92,624</u> | <u>1,823</u> | <u>2,552</u> |

The property is a 10 years lease with the first break clause being in December 2019, with subsequent break clauses up to the end of the lease term.

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 £11,429 (2017 - £3,892).

There was no liability due to the pension provider at the 31 March 2018 (2017 – £nil).

19. Related party transactions

There have been no transactions incurred with related parties during the period (2017 – none).

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

| | 2018 | 2017 |
|---|-------------------|---------------|
| | £ | £ |
| Net income/(expenditure) for the year | (69,806) | 87,405 |
| Interest received | (805) | (1,684) |
| Depreciation of tangible fixed assets | 2,088 | 696 |
| Decrease/(increase) in debtors | 4,273 | (4,634) |
| (Decrease)/increase in creditors | 8,925 | 703 |
| Net cash flow from operating activities | <u>(55,325)</u> | <u>82,486</u> |