



## **The Young Foundation**

### **Report and financial statements**

31 December 2021

Company Limited by Guarantee  
Registration Number  
01319183 (England and Wales)

Charity Registration Number  
274345 (England and Wales)

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## Reference and administrative information

**The Young Foundation is a company limited by guarantee and a registered charity governed by its memorandum and articles of association.**

**It is a Research Councils UK recognised independent research organisation (IRO)**

<b>Trustees</b>	Dame Julie Mellor (resigned 13 July 2022, Chair) Vidhya Alakeson (resigned 11 February 2022, Chair of Nominations & Governance Committees) Kersten England Peter Gladwell (Chair of Property Committee) Stephen Jacobs Henry Kippin Abigail Rotheroe (resigned 27 January 2022) Jonathan Sobczyk-Boddington (Chair of Resources, Risk and Assurance Committee) William Tanner (resigned 24 August 2021) Gareth Williams (Chair of Nominations and Governance Committee from 11 February 2022)
<b>Chief Executive</b>	Helen Goulden
<b>Company registration number</b>	01319183
<b>Charity registration number</b>	274345
<b>Registered office</b>	Toynbee Hall 28 Commercial Street London E1 6LS
<b>Independent auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	HSBC 465 Bethnal Green Road London E2 9QW

## Reference and administrative information

CCLA  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4ET

### **Solicitors**

Bates Wells  
10 Queen Street Place  
London  
EC4R 1BE

## Reference and administrative information

The Young Foundation's mission is to enable connected, more sustainable and stronger communities across the UK. We do this through amplifying people's stories and lived experiences and use this as a spur to drive locally-led and owned community action.

We use what we learn across different communities to spot national patterns of need and opportunity, working with partners to support innovations to deliver social impact at a national scale.

We seek to build a shared body of evidence, knowledge and insight about how best to strengthen and empower communities.

We were founded by the great social scientist and innovator Michael Young and originally called the Institute of Community Studies. We became the Young Foundation after Michael's death in 2002. Together we have created and supported over 80 organisations including: *Which?*, *The Open University*, *Language Line*, *Economic and Social Research Council*, *Social Innovation Exchange*, *School for Social Entrepreneurs*, *UpRising* and *Studio Schools Trust*.

### OUR FUNDERS AND PARTNERS

The British Academy	Local Trust
The Cabinet Office	London Borough of Bexley
Community Land Trusts Network	London Borough of Hackney
Darlington Borough Council	London Borough of Tower Hamlets
Department for Business, Energy and Industrial Strategy	National Association of Independent Schools and Non-Maintained Special Schools (NASS)
Department for Culture Media and Sport	National Citizen Service
Department for Work and Pensions	National Lottery
European Union	National Lottery Community Fund
Friends Provident	Nuffield Foundation
Greater London Authority	Paul Hamlyn Foundation
Guild HE	Power To Change
Health & Safety Executive	Queen Mary's University London
Heritage Lottery Fund	Shine Trust
Kings College London	Social Research Association
Koreo	SPEAR London
Local Government Association	UBS

## **Reference and administrative information**

UK Research and Innovation

UPP Foundation

Wales Centre for Public Policy

Wellcome Trust

West Midlands Combined Authority

Youth Endowment Fund

Youth Futures Foundation

## **CHAIR'S REPORT**

I write this as the newly appointed Chair of The Young Foundation and want to start by paying tribute to the work of our outgoing Chair, Dame Julie Mellor. This report sets out some of the key achievements over the course of 2021, however this is just one chapter in a much longer story, where Julie has led The Young Foundation on a remarkable journey which has turned an organisation that was facing significant challenges into a sustainable, focused organisation with a distinctive contribution to make.

I believe our work has never been more important. Families, neighbourhoods and communities are working through the long tail of the pandemic - lost education for children, bereavement and ill health for many - and facing into a time of continuing upheaval and difficulty marked by the cost of living crisis, conflict in Europe and the war in Ukraine and a deepening climate emergency.

This is a moment in which the agency, the power, of communities working as full partners with the public and private sectors and our democratic representatives will be fundamental to our nations resilience and well-being. The work of the Young Foundation in this space - in research, thought leadership, innovative methodologies, tools and frameworks for capacity building are in support of that equal partnership and wider community well-being.

The Young Foundation has demonstrated some significant successes in 2021 which build directly on that vision and sense of purpose. Through our Institute for Community Studies, we have directly supported higher education institutions and funders of research and innovation to leverage their considerable power and potential to build agency, confidence and capacity for more people to become involved in research for social change. Our national peer research network has gone from strength to strength, bringing local government and other institutions far closer to the experiences of those they serve. At the same time, we have been building community leadership capabilities, and building innovative models for centring the community in local place-making strategies. Working across all sectors, in many different parts of the UK, we are bringing people and power together.

As we move through 2022 and beyond, many things await us. Some may be predictable, some not. In strengthening the bond between and across communities, we build resilience and opportunities for collaboration and much needed innovation. The Young Foundation is increasingly well-placed to leverage its considerable legacy and capabilities work in the service of that agenda and I look forward to leading that mission as its new Chair.

Kersten England  
Chair

## **CHIEF EXECUTIVE'S REPORT**

It is with a strong sense of pride in the team at The Young Foundation that we present our 2021 annual report setting out our performance and achievements. Despite the continued stresses and strains of the pandemic, now being usurped by a very different set of social, economic and geo-political crises, the impact of The Young Foundation grew in 2021, underpinned by a vision and mission to understand, involve and innovate with local communities to drive social change.

Alongside increasing our income and posting an operating surplus for this year, we have delivered a strong and cohesive set of projects, as well as growing the infrastructure necessary to operate a far larger scale in years to come.

It is clear that through our use of the Kickstart Scheme, the growth of our national peer research network, and our work with funders across the private, public, higher education and philanthropic sectors, we are proving that there are sustained ways of bringing more people into civic, research and innovation activities from which they would otherwise be excluded. What this means in more vibrant terms is that we're building curiosity, empathy, confidence, agency for more people to explore the world around them and how they can use those insights to take action, whatever the context, whatever their starting point. That feels like an important agenda, of increasing importance.

We continue to be active on socially relevant agendas, including the ongoing and long-term impact of the pandemic on communities, the climate crisis and critical need for adaptation and a just transition to Net Zero and supporting young people to navigate the very challenging world they are inheriting, to name a few. It is clear that the approaches, techniques and models we use are relevant to many different contexts and many different people and communities. And there is strong evidence that this work will continue to grow in 2022, as the investment into our innovation and external affairs capacity begins to bear fruit.

I want to thank the team, the dedication of our trustees, particularly our outgoing chair Dame Julie Mellor and the continued trust and funding from our partners, who have made all that work possible.

Helen Goulden

Chief Executive



## **TRUSTEES' ANNUAL REPORT**

The trustees (who are also directors of the charitable company for the purposes of the Companies Act) present their annual report together with audited financial statements of The Young Foundation (the charitable company) for the year ended 31 December 2021.

The financial statements have been prepared in accordance with the accounting policies set out on pages 27 to 31 of the attached accounts and comply with the charity's Memorandum and Articles of Association, 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 United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

## **OBJECTIVES AND RELEVANT POLICIES**

### **Objectives and activities for the public benefit**

The objects of the Young Foundation as set out in its Memorandum of Association are:

- a) The relief of needs arising from financial hardship, mental or physical illness, disability, or old age;
- b) The promotion of equality and diversity for the benefit of the public through research and the design and delivery of services that address exclusion;
- c) The promotion of health;
- d) The promotion of research and education in the social sciences and the dissemination of the useful outcomes of such research; and
- e) The advancement of purposes charitable in England and Wales by the development of organisations and activities and the exchange of ideas.

The objects are considered by the trustees to be for the public benefit as defined in the Charity Commission's guidance on public benefit. In order to achieve these objectives, the Young Foundation undertakes research to identify and understand social needs and then develops practical initiatives and institutions to address those, combining ideas, analysis and practical action.

Our research work also permeates all our programmes. We are a Research Councils UK recognised independent research organisation (IRO).

## **ACHIEVEMENTS AND PERFORMANCE**

2021 was a successful year for The Young Foundation on many levels. This is partly evidenced by exceeding our financial income targets which must be regarded as a major achievement, given the posting of substantial deficits for over a decade. However, financial sustainability is not the end goal, and The Young Foundation is proud of the range and scale of the impact we achieved in 2021, laying even stronger foundations for growth in 2022. The summary of our performance and achievements is set out in alignment with our four strategic goals, which state that if we are to work towards a fairer future we need to:

- ◆ Demonstrate the value of working differently with people and communities
- ◆ Scale effective and sustained ways of involving people and communities in social innovation & change
- ◆ Become a national centre of excellence for understanding what works in supporting stronger communities
- ◆ Ensure we are fit for purpose: a financially sustainable and vibrant organisation, ready to tackle serious social challenges

### ***DEMONSTRATING THE VALUE OF WORKING DIFFERENTLY WITH PEOPLE & COMMUNITIES***

We know that business, government, philanthropy and the social sector are increasingly motivated to work differently, in ways that recognise the need for more participatory, community-involving strategies and practice. We know organisations are capable of articulating the change they want to see, in terms of outcomes. The challenge is one of implementation and understanding how to begin, undertake *and* sustain different ways of working which challenge traditional power dynamics and organisational boundaries, are more inclusive and relational in nature. Part of that is about having the tools, models and approaches to experiment and learn from. Part of it is about demonstrating the art of the possible; developing projects which inspire and influence others.

Throughout 2021, we incubated and delivered a range of projects which sought to do just that, many of which continue into 2022 and beyond. Two examples are highlighted in this report: The Climate Challenge Cup and our utilisation of the Government's Kickstart Scheme.

#### **The Climate Challenge Cup**

Supported by BEIS, UKRI Science & Innovation Network, Foreign and Commonwealth Development Office, The Earth Institute, Glasgow Council, Glasgow University and the Metrolab network, The Young Foundation designed and delivered a major international competition to show the best examples of collaborations across universities, civic institutions and communities adapting to climate change and transitioning to net zero. The twelve shortlisted collaborations showed that local action, local political commitment, far-sighted vision and pioneering scientific innovation are capable of transforming local regions and transforming whole industries.

## **ACHIEVEMENTS AND PERFORMANCE** (continued)

### ***DEMONSTRATING THE VALUE OF WORKING DIFFERENTLY WITH PEOPLE & COMMUNITIES*** (continued)

#### **The Climate Challenge Cup** (continued)

Winners included a project in South Chicago, where a community-led, multi-disciplinary team have designed a nine acre Renewable Energy and Urban Farm Campus and across the Appalachian region, we showcased 'The Marshall Plan for Middle America', piloting a whole-system approach to transitioning to a net zero economy.

In November 2021, as part of the official COP26 programme, The Young Foundation hosted a range of US and UK changemakers demonstrating the value and impact of involving communities in climate innovation. You can watch the [video here](#).

#### **Kickstart your research career**

In 2021, The Young Foundation was accepted as a direct employer through the Kickstart Scheme, enabling us to employ three cohorts of people on Universal Credit and train them as community/peer researchers. With support from Mohn Westlake Foundation and Youth Futures Foundation, the young people developed their skills and competencies in a range of areas which will prepare them for further work. This included highly transferable work-place skills and research practice, as well as valuable competencies such as creativity, communication and collaborative problem solving.

The skills our Kickstart employees learned are relevant to a very wide range of jobs, but we hope that some may choose research as their path forward. Indeed, we were able to offer ongoing permanent employment to two of the cohort after their six month placement. As UKRI embarks on a mission to ensure that research and innovation is diverse, inclusive and an integral part of UK society, our use of the Kickstart Scheme demonstrated an entirely new pathway for young people to get involved in research and innovation practice. You can hear directly from our Kickstart researchers [here](#) & [here](#). In 2022, we will continue to innovate and act creatively to 'widen the gate' into socially-impactful research activities.

**This supports our report into diversity and inclusion in social research: [Far to Go](#)**, which showed the extent of the challenge we have to collectively build a social research sector. The report is discomfiting and important reading. It sets out the findings from the first comprehensive survey of nearly 1,000 views and experiences of UK social researchers. The report makes five overarching recommendations, calling on all organisations and individuals working in the social research sector to actively engage and respond in order to drive change.

### ***SCALING WHAT WORKS***

As well as developing new and innovative projects across 2021, there has been considerable attention to ensuring our proven methods and approaches can be scaled across as many places and communities as possible. To this end, The Young Foundation research team has been focused on scaling our peer and community research offer. Peer research is empowering. It is directed and conducted by people with lived experience of the issues being studied. This means people can affect positive change that matters to them.

## ACHIEVEMENTS AND PERFORMANCE (continued)

### ***SCALING WHAT WORKS*** (continued)

Peer researchers have a deep and personal understanding of the social or geographical community being studied. We believe that if more local people are skilled in asking questions about the places and issues they care about, more capacity, agency and confidence will be built for taking social action and making social change.

Alongside a continued growth in peer research commissions from partners from private, philanthropic and public sectors, we have focused on building the supporting infrastructure which enables this work to operate at a national scale. In 2021, this has included:

- ◆ Accreditation: The Young Foundation now delivers an NCFE-accredited Peer Research Level 2 qualification. Our accreditation is open to approved organisations that provide a good standard of training and support to peer researchers. The level 2 qualification is designed to be accessible. Students complete the course while working on a live peer research project (or retrospectively), evidencing how their peer research skills have been put into action, and submitting work that's closely connected to their peer research role.
- ◆ Codifying our Peer Research Offer - We support organisations to develop their staff's peer research skills, and we co-ordinate local teams of peer researchers. Our comprehensive interactive training curriculum for adults and young people can be delivered both virtually and in-person.
- ◆ Developing a 'Train the Trainer' model for young people with support from the Youth Endowment Fund and our work to support young people at risk of becoming involved in violence.
- ◆ Continuing to grow our Peer Research Network, a place where those interested or active in the field can access people, resources, knowledge, training and tools which are of a high quality.

Through driving standards, quality and consistency across peer research, we have been successful in taking our work to a much larger audience, feeding a demand which seems to be growing.

### **Supporting the growth of Community Leadership**

As part of our support for growing capacity and confidence in communities, throughout 2021 we continued to co-deliver the Community Leadership Academy funded by The Local Trust, and [make the case for deeper investment](#) into community leadership as part of our civic infrastructure. This has been complimented by ongoing delivery of Civic Futures, a London-wide initiative supported by the GLA to ensure that London's civic leaders receive the necessary support in terms of their own development, access to networks and a voice in ongoing conversations about London.

Building on our continued work to map creative community strength, we launched London's **Civic Strength Index** at Toynbee Hall with London's Deputy Mayor for Communities & Social Justice Deborah Weekes-Bernard. The Civic Strength Index offers a unique, data driven view of civic strength across London's boroughs. You can view the report and data visualisation from [here](#).

## ACHIEVEMENTS AND PERFORMANCE (continued)

### ***SHARING THE EVIDENCE OF WHAT'S WORKING TO SUPPORT STRONGER COMMUNITIES***

This strategic goal is realised through our Institute for Community Studies. The Institute engages with communities and experts across the United Kingdom to identify and prioritise the top questions that research needs to answer based on what matters to local people, amplifying community perspectives and directing policymakers and other researchers toward the most urgent and salient questions.

The Institute encourages more equal relationships between institutions and communities. It challenges the dominant commissioning model that is too often detached and extractive, answering questions set from above with little or no insight into what really matters to communities themselves.

As a platform for sharing knowledge, the Institute worked with partners across the public, private and third sectors and academia to engage 'multiple publics in multiple ways' that avoid replicating and deepening the power imbalances that run through society. Work undertaken in 2021 includes:

- ◆ the **Nuffield Foundation**, to better understand the issues that families in deprived communities face as they navigate the transition to Net Zero;
- ◆ the **National Citizen Service CIC**, to re-imagine the 'civic journey' that young people experience from adolescence to adulthood;
- ◆ **UKRI**, to explore new ways to bring the research and innovation system closer to communities, and particularly those most at risk of marginalisation;
- ◆ **Sheffield Hallam University** and the **National Coordinating Centre for Public Engagement**, to support the Civic University Network and re-shape relationships between universities and the communities they serve;
- ◆ Working in partnership with **Kings College London**, we trialled Undisciplined Spaces, providing a pioneering opportunity for undergraduate students to design and deliver creative activist research projects addressing issues of marginalisation or exclusion in the local communities in which they live; and
- ◆ Grown our bank of knowledge through the migration of data and evidence from the Power to Change Research Institute.

There have been some standout reports emerging from the Institute in 2021, with the publication of [The Covid Decade](#) in partnership with the British Academy and '*Why Don't They Ask Us?*' which analysed fifteen years of central government investment into levelling up activities, revealing robust evidence that current approaches to regeneration and economic transformation are not working for the majority of local communities and their economies.

## **ACHIEVEMENTS AND PERFORMANCE (continued)**

### ***SHARING THE EVIDENCE OF WHAT'S WORKING TO SUPPORT STRONGER COMMUNITIES*** (continued)

*Why don't they ask us?* formed part of a series of working papers examining how to fix local economies so that they work better for communities. The purpose of these reports was to demonstrate a new approach to mapping and co-designing stronger local economies for communities that is also community-led. The first report, Discomfort, Dissatisfaction & Disconnect: Exploring local economic perceptions through peer research, explored local economies from the perspectives of local communities through over fifty in-depth interviews undertaken using peer research, giving a platform to these all-too-often forgotten voices.

### ***ENSURING WE ARE A FINANCIALLY SUSTAINABLE AND FIT FOR PURPOSE ORGANISATION***

2021 was another year characterised by lockdowns and the pandemic, which has meant an ongoing challenge of ensuring we support well-being and productivity across our remote team, as well as continuing to drive our financial performance and social impact.

#### **Our Place of Work**

In February 2020, The Young Foundation completed its sale of its long-standing home in Bethnal Green's Victoria Park Square. The income from this sale is being invested in the short-medium term to yield an annual return to the charity. In subsequent years, this capital may be used to reinvest in a better suited building to house the organisation. While a difficult decision, given historical connections to Michael Young, trustees were in full agreement that the general dilapidation of the property and the need for significant investment to ensure it was fit for purpose as a place of work, made the sale in the best interests of the charity. In July 2021 we made our new home at Toynbee Hall, an organisation physically open to the local community, and with whom we have a shared ethos and similarly deep roots in the East End of London. The fundamental changes in our patterns and place of working as a result of the pandemic have afforded The Young Foundation staff a high degree of flexibility, with a significant reduction of cost to the charity as a result of the sale.

#### **Financial Sustainability**

As evidenced in the Financial Overview of this report, the Young Foundation continues to grow its income. Our consolidated accounts for 2021 show an operating surplus. While there is still some work to ensure our unrestricted funds are breaking even, the sustained trajectory of growth and sustainability is clear to see. At time of writing (May 2022), we are further increasing our forecast income, on track to exceed our target – undertaking strategically relevant and impactful work.

#### **Equity, Diversity & Inclusion**

Over the course of 2020, The Young Foundation has improved the diversity of our workforce, and our eagerness to recruit remotely, has enabled those who have different education backgrounds and different abilities to join the team, as well as reaching talent that would otherwise be excluded from working in a London based charity. Our work now is focused on growing that diversity further and continuing the work to ensure that The Young Foundation is an inclusive and supportive place to work.

## **FINANCIAL REVIEW**

### **Results for the year**

The reported surplus in the year to December 2021 of £2,593k is a significant improvement on the £157k deficit in 2020. However, this surplus includes a £1,989k profit from the sale of the building 18 Victoria Park Square. Excluding this profit the surplus for the year was £604k. Looking at Unrestricted Funds and excluding the sale of the property, a surplus of £65k was made. This comes after a number of years of unrestricted deficits (2020: £294k).

Income in the year, excluding the sale of the property, of £3,101k (2020: £1,896k) represents a substantial 64% increase on the prior year.

Charitable expenditure of £2,497k (2020: £2,054k) is a 22% increase on 2020 expenditure. There has been a focus on support costs and these were largely flat year on year at £677k in 2021 compared with £670k in 2020.

In 2021, the charity secured several large grants restricted to delivery of specific programmes (including grants from the NCS Trust for the Civic Journeys programme and central government for the BOOST programme) meaning that restricted income in 2021 of £1,750k (2020: £1,221k) represents 58% of grants and other earned income.

There is an unrestricted surplus of £2,054k (2020: deficit £294k). As noted below the charity continues to operate within its reserves policy. With support costs well managed, and the sale of the charity's property removing the risk of unexpected maintenance expenses, the focus for 2021 was to increase income whilst retaining appropriate margins on projects to ensure that support costs are fully funded. Income targets for 2021 of £2,000k were exceeded and at the time of writing income is expected to be ahead of plan for 2022. In 2021 the Young Foundation invested further in roles to help deliver this income growth including the appointment of an Associate Director, Institute for Community Studies and a Head of External Affairs & Communications. They were joined at the beginning of 2022 by a Director of Innovation and Practice.

### **Reserves policy and financial position**

Total reserves at 31 December 2021 were £5,206k (2020: £2,613k) of which £1,603k (2020: £1,064k) were restricted for specific purposes. In addition, following the sale of 18 Victoria Park Square, a total of £2,900k was designated during the year to the property fund, for further details see note 12.

The policy of the trustees is to hold sufficient reserves in a liquid form to meet short term obligations, and having considered the risks facing the charity and its level of activity, have decided that this is equivalent to six months unrestricted expenditure. At 31 December 2021, six months unrestricted expenditure was £752k (2020: £509k). The total free reserves at 31 December 2021 were £703k (2020: £1,549k) which represents 5.6 months unrestricted expenditure.

## **FINANCIAL REVIEW** (continued)

### **Reserves policy and financial position** (continued)

Therefore, the trustees consider that they have sufficient funds to meet the reserves policy and are considering how best to invest these funds to balance preserving liquidity to maintain day to day activity whilst also generating income and/or long-term growth.

### **Going concern**

The trustees continue to adopt the going concern basis in preparing the annual financial statements. In adopting this basis, they have reviewed all appropriate budgets and forecasts. These forecasts include the impact of Covid-19, which is explained in detail under "Risk Management" (page 17 below). The trustees are not aware of any material uncertainties that suggest that the Young Foundation cannot continue as a going concern.

### **Investment policy and performance**

Under the Memorandum and Articles of Association the trustees have general powers of investment. The trustees held the charity's funds as cash with CCLA and HSBC in 2021. In 2022, they have decided to invest in the Cazenove Charity Responsible Multi-Asset Fund, in addition.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Young Foundation's governing documents are its Memorandum and Articles of Association dated 15 June 1977 as amended on 16 March 2005 and 21 February 2021.

The Board of Trustees met five times in 2021. In addition to the Board of Trustees there is a Resources, Risk & Assurance Committee (RRAC) which met four times in 2021. The Committee was chaired by the treasurer, Jonathan Sobczyk Boddington from February 2021. The Nominations and Governance Committees met during 2021.

Due to a number of scheduled retirements, the Board is to be refreshed in 2022, with up to six new trustees.



**STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

The following trustees were in office at 31 December 2021 and served throughout the year except where shown.

<b>Trustees</b>	<b>Appointments/ resignations</b>	<b>Board meetings attended in 2021 (and number available)</b>
Dame Julie Mellor	Resigned 13 <sup>th</sup> July 2022	5 (5)
Vidhya Alakeson	Resigned 11 <sup>th</sup> February 2022	5 (5)
Kersten England		4 (5)
Peter Gladwell		5 (5)
Stephen Jacobs		5 (5)
Henry Kippin		5 (5)
Abigail Rotheroe	Resigned 27 <sup>th</sup> January 2022	4 (5)
Jonathan Sobczyk-Boddington		5 (5)
William Tanner	Resigned 24 <sup>th</sup> August 2021	3 (3)
Gareth Williams		5 (5)

Details of all the trustees are posted on our website, [youngfoundation.org](https://youngfoundation.org)

Candidate trustees meet with the Chair, the Chief Executive and the Nominations and Governance Committee following which their application is considered by the Nominations and Governance Committee. The induction of trustees is undertaken on an informal basis with the Chief Executive and senior management team and through attendance at Young Foundation and external events.

The day to day management and running of the charity has been delegated to the Chief Executive and the senior management team. The senior management team prepares an annual operational plan and budget which is approved by the trustees. The senior management team take responsibility for the execution of the operational plan and budget and report on progress to the trustees.

**Key management personnel**

The key management personnel of the Young Foundation are the Chair and Board of Trustees together with the Chief Executive and Directors who form the senior management team.

The remuneration of the Chief Executive is set and reviewed by the nominations committee. The remuneration of the other key management personnel is set by the CEO taking into consideration factors such as what the organisation can afford to pay, inflation and external benchmarking.

**Risk management**

The Board's Resources, Risk and Assurance Committee has reviewed the major operational risks and the Board has reviewed the strategic risks including the ways in which these are monitored, managed and mitigated by the senior management team. These reviews have included the on-going impact of Covid-19.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

### **Risk management (continued)**

#### **Impact of Covid-19 (Coronavirus)**

Covid-19 (Coronavirus) restrictions continued during much of 2021, with lockdowns across the country, restricting travel to a few exceptional circumstances, and forcing the temporary suspension of some traditional business practices.

In February 2021, the Young Foundation sold its office building. It had been subject to closure due to lockdown conditions and all staff had been working from home. The Young Foundation has operated since then in a hybrid fashion, from office space rented at Toynbee hall, with many staff continuing to work from home, most of the time, but attending the office to collaborate.

Despite initial concerns that business development activities during lockdown would be more difficult we were able to exceed our income targets for 2021 and performance against 2022 targets also looks strong at the time of writing. Proceeds from the sale of the building have also bolstered the charity's reserves.

The businesses in which we have made social investment have mainly been able to maintain their trade during 2021 and at this point there has been no impact on the valuation of our investments. But we continue to monitor our investments closely as the longer-term impact on their trade becomes clearer.

#### **Key risks**

Our risk registers reflect the above increased risks presented by Covid-19. The key risks identified by the Board and summarised below together with management actions to mitigate these risks.

#### ***Income Generation and sustainability***

The main risk to The Young Foundation is the inability to generate sufficient income to enable full cost recovery and be a financially sustainable organisation. As noted above, the long-term impact of Covid-19 or indeed war in Ukraine and other events on the wider economy may mean that business development becomes more difficult. It is essential that we maintain close relationships with funders and explore all funding opportunities. We have developed and continue to refine our processes for bidding for funding to ensure full cost recovery. We will be developing some "off-the-shelf" products as a way of introducing our products and services to new clients. The sale of our property has helped us reduce overheads further as we no longer risk large unexpected maintenance costs.

#### ***Staff engagement***

The Young Foundation has settled into a pattern of hybrid working, with staff able to mix home and office working. We have regular all staff team meetings and ensure that managers keep in close contact with their team. We have upgraded some of our IT systems and equipment and we provide appropriate office furniture for staff who need it. We continue to seek staff opinion and feedback through team meeting discussions and staff surveys.

## **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

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

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the income and expenditure of the charitable company for the year. In preparing these financial statements, the trustees are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ observe the methods and principles in the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (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; and
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

In so far as the trustees are aware:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

This report was approved by the trustees on 13 July 2022 and signed on their behalf by:



Kersten England, Chair of the Board of Trustees

## **Independent auditor's report to the members of The Young Foundation**

### **Opinion**

We have audited the financial statements of The Young Foundation (the 'charitable company') for the year ended 31 December 2021 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the financial statements. 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 December 2021 and of 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**

In auditing the financial statements we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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.

**Other information** (continued)

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, which is also the directors' report for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report, which is also the directors' report for the purposes of company law, has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees, who are also directors 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.

**Responsibilities of trustees** (continued)

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

**Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations; and
- ◆ we obtained an understanding of the legal and regulatory frameworks that are applicable to the charity and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and the Companies Act 2006) and those that relate to data protection (General Data Protection Regulation).

We assessed the susceptibility of the charity's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management as to their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

**Auditor's responsibilities for the audit of the financial statements** (continued)

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships;
- ◆ tested journal entries to identify unusual transactions; and
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates for the valuation of programme related investments and the bad debt provision were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ reading the minutes of meetings of those charged with governance; and
- ◆ enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

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

*Buzzacott LLP*

Catherine Biscoe (Senior statutory auditor)  
for and on behalf of Buzzacott LLP, Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

Date: 8 September 2022

**Statement of financial activities** Year ended 31 December 2021

	Notes	Unrestricted funds £	Restricted funds £	2021 Total funds £	Unrestricted funds £	Restricted funds £	2020 Total funds £
<b>Incorporating income and expenditure account</b>							
<b>Income from</b>							
Donations		—	—	—	1,139	—	1,139
Investments	2	356	—	356	2,418	—	2,418
Charitable activities							
. Grants and other earned fees	1a	1,271,451	1,750,382	3,021,833	484,774	1,220,799	1,705,573
. Other	1b	2,067,935	—	2,067,935	187,253	—	187,253
<b>Total income</b>		<b>3,339,742</b>	<b>1,750,382</b>	<b>5,090,124</b>	<b>675,584</b>	<b>1,220,799</b>	<b>1,896,383</b>
<b>Expenditure on</b>							
Charitable activities	3	1,504,555	992,843	2,497,398	1,017,462	1,036,254	2,053,716
<b>Total expenditure</b>		<b>1,504,555</b>	<b>992,843</b>	<b>2,497,398</b>	<b>1,017,462</b>	<b>1,036,254</b>	<b>2,053,716</b>
<b>Net income (expenditure) before transfers</b>		<b>1,835,187</b>	<b>757,539</b>	<b>2,592,726</b>	<b>(341,878)</b>	<b>184,545</b>	<b>(157,333)</b>
<b>Transfers between funds</b>	12	<b>218,724</b>	<b>(218,724)</b>	<b>—</b>	<b>48,205</b>	<b>(48,205)</b>	<b>—</b>
<b>Net income (expenditure) and net movement in funds for the year</b>		<b>2,053,911</b>	<b>538,815</b>	<b>2,592,726</b>	<b>(293,673)</b>	<b>136,340</b>	<b>(157,333)</b>
<b>Reconciliation of funds:</b>							
<b>Total funds brought forward</b>		<b>1,548,818</b>	<b>1,064,007</b>	<b>2,612,825</b>	<b>1,842,491</b>	<b>927,667</b>	<b>2,770,158</b>
<b>Total funds carried forward</b>		<b>3,602,729</b>	<b>1,602,822</b>	<b>5,205,551</b>	<b>1,548,818</b>	<b>1,064,007</b>	<b>2,612,825</b>

Other charitable income includes discontinued activities (the Hub Social Investment Rent and Room Hire (£748) (2020 - £128,324) and tenant recharges £184 (2020 - £4,531). These activities ceased with the sale of the building.

All recognised gains and losses are included in the above statement of financial activities.

The notes on pages 32 to 44 form part of these financial statements.



## Balance sheet 31 December 2021

	Notes	2021 £	2021 £	2020 £	2020 £
<b>Fixed assets</b>					
Tangible assets	7	36,135		5,295	
Investments	8	423,866		595,247	
			460,001		600,542
<b>Current assets</b>					
Assets held for resale		—		909,250	
Debtors	9	900,637		439,685	
Cash at bank and in hand		4,173,941		1,114,515	
		5,074,578		2,463,450	
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	10	(329,028)		(451,167)	
<b>Net current assets</b>			4,745,550		2,012,283
<b>Total assets less current liabilities</b>			5,205,551		2,612,825
<b>The funds of the charity:</b>					
Unrestricted funds:	12				
. General funds			702,729		1,548,818
. Designed funds			2,900,000		—
Restricted funds	13		1,602,822		1,064,007
			5,205,551		2,612,825

The financial statements were approved by the Trustees on 13 July 2022 and signed on their behalf, by:



Kersten England, Chair

The Young Foundation  
Company registration number 01319183 (England and Wales)

The notes on pages 32 to 44 form part of these financial statements.

## Statement of cash flows 31 December 2021

	Notes	2021 £	2020 £
<b>Cash outflow from operating activities:</b>			
Net cash used in operating activities	A	(32,898)	(57,700)
<b>Cash inflow from investing activities:</b>			
Interest and dividends from investments		356	2,418
Purchase of tangible fixed assets		(39,700)	—
Sale of asset held for sale		2,898,200	—
Repayments of investments		233,468	55,800
<b>Net cash provided by investing activities</b>		<b>3,092,324</b>	<b>58,218</b>
<b>Change in cash and cash equivalents in the year</b>		<b>3,059,426</b>	<b>518</b>
<b>Cash and cash equivalents at 1 January 2021</b>	B	<b>1,114,515</b>	<b>1,113,997</b>
<b>Cash and cash equivalents at 31 December 2021</b>	B	<b>4,173,941</b>	<b>1,114,515</b>

### Notes to the statement of cash flows for the year to 31 December 2021

#### A Reconciliation of net movement in funds to net cash flow from operating activities

	2021 £	2020 £
<b>Net movement in funds (as per the statement of financial activities)</b>	<b>2,592,726</b>	<b>(157,333)</b>
<b>Adjustments for:</b>		
Depreciation charge	4,068	34,053
Impairment of investments	(62,087)	(74,431)
Interest and dividends from investments	(356)	(2,418)
Surplus on disposal of asset held for sale	(1,988,947)	—
Loss of disposal of fixed assets	4,792	—
Increase in debtors	(460,952)	(89,386)
Increase/(decrease) in creditors	(122,142)	229,815
<b>Net cash used in operating activities</b>	<b>(32,898)</b>	<b>(57,700)</b>

#### B Analysis of cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	3,441,642	382,216
Instant access cash accounts	732,299	732,299
<b>Total cash and cash equivalents</b>	<b>4,173,941</b>	<b>1,114,515</b>

#### C Analysis of changes in net debt

	At 1 January 2021 £	Cash flows £	At 31 December 2021 £
Cash	382,216	3,059,426	3,441,642
Cash equivalents	732,299	—	732,299
<b>Total</b>	<b>1,114,515</b>	<b>3,059,426</b>	<b>4,173,941</b>

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

**Basis of preparation**

These financial statements have been prepared for the year to 31 December 2021.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

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

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

**Critical accounting estimates and areas of judgement**

Preparation of the financial statements requires the trustees and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ estimating the useful economic life of tangible fixed assets for the purposes of determining the depreciation rate;
- ◆ the valuation of social investments;
- ◆ the allocation of support costs; and
- ◆ estimating future income and expenditure flows for the purpose of assessing going concern basis (see below).

The trustees considered the impact of Covid-19 when making these judgements and estimates. With the exception of the valuation of social investments, they do not consider that the impact of Covid-19 results in any further uncertainty. The valuation of social investments is based on the most up to date information available to trustees on future income and cash flows. The trustees determined that these forecasts adequately reflect the impact of Covid-19.

### **Assessment of going concern**

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The trustees have made this assessment in respect of a period of one year from the date of approval of these financial statements based on appropriate budgets and forecasts.

When preparing these forecasts, the trustees considered:

- ◆ the impact of “lockdown” on staff, delivery against contracts and rental income and concluded that these risks are reducing;
- ◆ the wider impact on the wider UK economy. Whilst there remain uncertainties for the longer term, the charity is confident of operating at increased income levels and are investing in staff and resource to generate further increased income in 2022 and beyond.

As a result of this review, the trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

Additional detail about the impact of Covid-19 on the charity is described in the Trustees’ Annual Report (page 18).

### **Company status**

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

### **Fund accounting**

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

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged against the specific fund.

### **Income recognition**

Income is recognised in the statement of financial activities when the charitable company has entitlement to the funds, receipt is probable and the amount can be measured with sufficient reliability.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

**Income recognition** (continued)

In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

Grants from government and other agencies have been included as income from charitable activities where these amount to a contract for services, but as donations where the money is given in response to an appeal or with greater freedom of use, for example monies for core funding.

Where the Young Foundation is a member of a consortium, for example on certain EU funded programmes, only the income and expenditure which is specific to the Young Foundation is recognised in the financial statements.

Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future period.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Donated services provided to the charity are recognised in the period when it is probable that the economic benefits will flow to the charity, provided they can be measured reliably. This is normally when the service is provided. An equivalent amount is included in expenditure. Donated services 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 the services of equivalent economic benefit on the open market.

**Expenditure recognition**

Expenditure is recognised once there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities.

All expenditure is inclusive of irrecoverable VAT.

Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include direct and support costs of projects, including governance costs and where appropriate charitable grants.

Grants payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all performance conditions. Grants approved but not paid at the end of the financial year are accrued.

**Allocation of support and governance costs**

Support costs are those costs incurred directly in support of expenditure on the objects of the company and include project management carried out centrally.

Governance costs are those incurred in connection with the administration of the company and compliance with constitutional and statutory requirements.

Support costs are allocated across charitable expenditure on the basis of the number of staff employed in each activity.

**Tangible fixed assets and depreciation**

All assets costing more than £500 and with an expected useful life exceeding one year are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

- ◆ Office equipment - 25% on a straight line basis
- ◆ IT equipment - 33% on a straight line basis

**Other financial instruments**

The charity has considered FRS 102 sections 11 and 12, identifying and classifying financial instruments as 'basic' and 'other'. The charity only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including trade and other debtors and creditors, are initially recognised at transaction value and subsequently measured at their settlement value.

**Social investments**

Social investments are investments made directly in pursuit of the charity's charitable purposes. Unquoted equity investments are held at cost, less any provision for diminution in value or add any increase in value, while loans are recorded at cost less any provisions to reflect non-recoverability.

**Debtors**

Debtors are recognised at the settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

**Cash at bank and in hand**

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

### **Creditors and provisions**

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

### **Leased assets**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis over the term of the lease.

### **Pension contributions**

The charity participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The charity is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. Therefore, as required by FRS 102, the charity accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. There is currently no deficit funding plan in place, other than increased employer contributions, and therefore no liability has been recognised.

In February 2015, a defined contribution scheme, (the Peoples Pension) was established for staff not working on research. Contributions in respect of the defined contribution scheme are charged to the statement of financial activities when they are payable to the scheme. The charity has no liability beyond making its contributions and paying across the deductions for the employee contributions.

**1a Income from charitable activities – grants and other fees earned**

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Communities	652,375	334,270	<b>986,645</b>
Research	619,076	676,782	<b>1,295,858</b>
Social Investment and Innovation	–	739,330	<b>739,330</b>
<b>2021 Total funds</b>	<b>1,271,451</b>	<b>1,750,382</b>	<b>3,021,833</b>

	Unrestricted funds £	Restricted funds £	2020 Total funds £
<i>Communities</i>	<i>287,114</i>	<i>17,545</i>	<i>304,659</i>
<i>Research</i>	<i>197,660</i>	<i>692,731</i>	<i>890,391</i>
<i>Social Investment and Innovation</i>	<i>–</i>	<i>510,523</i>	<i>510,523</i>
<b>2020 Total funds</b>	<b>484,774</b>	<b>1,220,799</b>	<b>1,705,573</b>

**1b Income from charitable activities – other income**

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Hub for social innovation – rent and room hire	(748)	–	<b>(748)</b>
VAT recovery	33,481	–	<b>33,481</b>
Tenant recharges	184	–	<b>184</b>
Speaking fees, events and publications	575	–	<b>575</b>
Gain on sale of building	1,988,947	–	<b>1,988,947</b>
Gain on conversion of YAIF Project	47,343	–	<b>47,343</b>
Other	(1,847)	–	<b>(1,847)</b>
<b>2021 Total funds</b>	<b>2,067,935</b>	<b>–</b>	<b>2,067,935</b>

	Unrestricted funds £	Restricted funds £	2020 Total funds £
<i>Hub for social innovation – rent and room hire</i>	<i>128,324</i>	<i>–</i>	<i>128,324</i>
<i>VAT recovery</i>	<i>16,681</i>	<i>–</i>	<i>16,681</i>
<i>Tenant recharges</i>	<i>4,531</i>	<i>–</i>	<i>4,531</i>
<i>Speaking fees, events and publications</i>	<i>691</i>	<i>–</i>	<i>691</i>
<i>Government grant</i>	<i>27,028</i>	<i>–</i>	<i>27,028</i>
<i>Other</i>	<i>9,998</i>	<i>–</i>	<i>9,998</i>
<b>2020 Total funds</b>	<b>187,253</b>	<b>–</b>	<b>187,253</b>



## 2 Income from investments

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Interest receivable on cash deposits	356	—	356
<b>2021 Total funds</b>	<b>356</b>	<b>—</b>	<b>356</b>

	Unrestricted funds £	Restricted funds £	2020 Total funds £
Interest receivable on cash deposits	2,418	—	2,418
<b>2020 Total funds</b>	<b>2,418</b>	<b>—</b>	<b>2,418</b>

## 3 Expenditure on charitable activities

	Unrestricted direct costs £	Unrestricted support costs £	Restricted direct costs £	Restricted support costs £	2021 Total funds £
Communities	560,753	140,211	70,142	—	771,106
Research	427,222	280,422	299,934	99,061	1,106,639
Social Investment and Innovation	2,473	93,474	459,463	64,243	619,653
<b>2021 Total funds</b>	<b>990,448</b>	<b>514,107</b>	<b>829,539</b>	<b>163,304</b>	<b>2,497,398</b>

	Unrestricted direct costs £	Unrestricted support costs £	Restricted direct costs £	Restricted support costs £	2020 Total funds £
Communities	278,811	104,910	54,702	24,114	462,537
Research	143,328	231,278	448,613	43,530	866,749
Social Investment and Innovation	463	66,761	305,934	159,361	532,519
Hub for social innovation	151,378	40,533	—	—	191,911
<b>2020 Total funds</b>	<b>573,980</b>	<b>443,482</b>	<b>809,249</b>	<b>227,005</b>	<b>2,053,716</b>

### Allocation of support costs

Support costs have been allocated across charitable expenditure on the basis of the number of staff employed in each activity. The net costs after allocation are shown below

	2021 £	2020 £
Development, Administration, Finance and Human Resources	590,323	576,280
Information technology	48,198	56,561
Governance costs		
. Auditor's remuneration	16,450	16,263
. Staff costs	22,440	21,384
	<b>677,411</b>	<b>670,487</b>

#### 4 Staff costs and remuneration of key management personnel

	2021 £	2020 £
Wages and salaries	1,198,404	976,894
Social security costs	115,354	99,560
Other pension costs	140,476	97,455
	<b>1,454,234</b>	<b>1,173,909</b>

During the year, the Young Foundation made total termination payments of £58,856 (2020 – £11,401). These are included within wages and salaries.

The average head count during 2021 was 30 (2020 – 29).

The average, full time equivalent number of staff analysed by function is:

	2021	2020
Charitable activities	22.5	18.6
Support	4.3	5.7
	<b>26.8</b>	<b>24.3</b>

The number of higher paid employees was:

	2021 no.	2020 no.
£60,000 - £70,000	2	1
£100,001 - £110,000	1	1
	<b>3</b>	<b>2</b>

These employees are accruing retirement benefits under either a defined benefits or defined contribution scheme. Employer contributions made in respect of these individuals totalled £32,538 (2020 – £18,665).

The key management personnel of the charity in charge of directing, controlling, running and operating the charity on a day to day basis comprises the trustees, the Chief Executive and the senior management team. The total remuneration (including taxable benefits, employer's pension contributions and national insurance costs) of the key management personnel for the year was £320,491 (2020 – £285,596). The cost of key leadership personnel employed as contractors on an interim basis during the year was £99,330 (2020: £63,690).

No remuneration was paid to any trustee during the year. No trustees' travel and accommodation expenses were reimbursed during the year (2020 – £932).

## 5 Net expenditure for the year

This is stated after charging:

	2021 £	2020 £
Auditor's remuneration (excluding VAT):		
. Audit – current year	10,750	10,500
. Audit – prior year	5,700	5,763
Depreciation	4,068	34,053
Operating lease rentals	–	301

## 6 Taxation

The Young Foundation is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities as it falls within the various exemptions available to registered charities.

## 7 Tangible fixed assets

	Office equipment £	IT equipment £	Total £
<b>Cost</b>			
At 1 January 2021	108,704	151,879	260,583
Additions	–	39,700	39,700
Disposals	(108,704)	(150,372)	(259,076)
At 31 December 2021	–	41,207	41,207
<b>Depreciation</b>			
At 1 January 2021	104,772	150,516	255,288
Charge for the year	–	4,068	4,068
Disposals	(104,772)	(149,512)	(254,284)
At 31 December 2021	–	5,072	5,072
NBV at 31 December 2021	–	36,135	36,135
NBV at 1 January 2021	3,932	1,363	5,295

## 8 Investments

	Total funds 2021 £	Total funds 2020 £
Social investments:		
. Young Academy		
Market value at 1 January 2021	595,247	578,616
Impairment reversal/(charge)	62,087	72,431
Repayments	(233,468)	(55,800)
Market value at 31 December 2021	423,866	595,247
Historic cost	851,472	1,084,939

## 8 Investments (continued)

### *Social investments*

The Young Foundation has made social investments through the Young Academy Investment Fund which has been established by the Young Foundation with funding from the Social Incubator Fund, which is administered by the Big Lottery Fund on behalf of the Cabinet Office and UBS. The initial investments were made by way of convertible loan notes. Many of these instruments have now been converted into loans with repayments linked to revenue.

At 31 December 2021, the split was as follows:

	2021 £	2020 £
Convertible loan notes	153,188	247,000
Revenue participation loans	270,678	348,247
	<b>423,866</b>	<b>595,247</b>

The social investments include convertible loan notes issued to Think for the Future, Potentially and CPDBee and revenue participation loans to Edukit, Proversity, Infused Learning, Structural Learning, Smart Schools Council, Talent-Ed Education, GT Scholars, Panjango, and East Learning CIC.

The Young Foundation holds shares in a community interest company Mydex Data Services. At this stage in Mydex's development, it has been decided to not to put a value on the shareholding in the Young Foundation's financial statements. The shareholding is treated as a social investment as it is made directly in pursuit of the Young Foundation's charitable purposes.

The Young Academy investments were reviewed internally for diminution in value. In 2021 no increase in impairment provision was made, however the provision was reduced by £62,087 representing actual repayments against investments previously fully impaired of £844 and a reversal of impairments made in earlier years that are no longer considered necessary of £61,243 (2020 – a reversal of £45,310 was made.) The valuation of social investments is based on the most up to date information available to trustees on future income and cash flows and following the year end, no further material diminution in value has been noted.

## 9 Debtors and prepayments

	2021 £	2020 £
Trade debtors	460,028	99,498
Prepayments and accrued income	440,609	340,187
	<b>900,637</b>	<b>439,685</b>

## 10 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	53,670	40,021
Other creditors	91,824	85,745
YAIF loan	36,500	—
Accrued expenditure	47,433	67,344
Deferred income	99,598	258,057
	<b>329,028</b>	<b>451,167</b>

The YAIF loan is an interest free facility with a repayment date of 31 March 2026. The charity intends to make the repayment within the next financial year.

Included in creditors is deferred income as set out below:

	2021 £	2020 £
Deferred income at 1 January 2021	258,057	48,197
Resources deferred in the year	99,598	258,057
Amounts released in the year	(258,057)	(48,197)
Deferred income at 31 December 2021	<b>99,598</b>	<b>258,057</b>

Deferred income comprises funds received in advance in relation to several contracts in progress at the year end.

## 11 Liability of members

The charity is a company limited by guarantee, each member being liable for a sum not exceeding £1 in the event of the company being wound up.

## 12 Movement in funds

	Balance at 1 January 2021 £	Net income £	Transfers £	Balance at 31 December 2021 £
Restricted funds	1,064,007	757,539	(218,724)	<b>1,602,822</b>
Unrestricted funds				
. General fund	1,548,818	1,835,187	(2,681,276)	<b>702,729</b>
. Property fund	—	—	2,900,000	<b>2,900,000</b>
	<b>1,548,818</b>	<b>1,835,187</b>	<b>218,824</b>	<b>3,602,729</b>
Total funds	<b>2,612,825</b>	<b>2,592,726</b>	<b>—</b>	<b>5,205,551</b>

The property fund represented the charity's investment in property which created a hub for social innovation and for nurturing new organisations as well as acting as a base from which the charity could carry out its operations. The property was sold in early 2021. However, £2.9 million has been designated by the trustees for possible future use in the purchase of a property.

Restricted funds represent grant income for specific charitable projects as set out in note 13.

**12 Movement in funds** (continued)

	Balance at 1 January 2020 £	Net expenditure £	Transfers £	Balance at 31 December 2020 £
<i>Restricted funds</i>	927,667	184,525	(48,205)	1,064,007
<i>Unrestricted funds</i>				
. General fund	904,214	(318,902)	963,506	1,548,818
. Property fund	938,277	(22,976)	(915,301)	—
	<u>1,842,491</u>	<u>(341,878)</u>	<u>48,205</u>	<u>1,548,818</u>
<i>Total funds</i>	<u>2,770,158</u>	<u>(157,333)</u>	<u>—</u>	<u>2,612,825</u>

### 13 Restricted fund analysis

The movement in restricted funds in 2021 was:

	Balance at 1 January 2021 £	Income £	Expenditure £	Transfers £	Balance at 31 December 2021 £
<b>Research</b>					
EU Horizon 20 20- Clever Cities	19,337	28,015	(16,161)	—	<b>31,191</b>
NCS Trust CIC Civic Journey	—	497,999	(36,578)	—	<b>461,421</b>
YFF Kickstart	—	37,478	(33,976)	—	<b>3,502</b>
DWP Kickstart	—	107,630	(100,469)	—	<b>7,161</b>
EU Horizon 20 20- UPLIFT	229,111	—	(56,199)	—	<b>172,912</b>
Paul Hamlyn Foundation - Peer Research	36,274	—	(36,274)	—	<b>—</b>
Calouste Gulbenkian Foundation - Battersea Arts Centre	11,375	—	(10,786)	—	<b>589</b>
UPP Foundation - Civic University	16,401	—	(12,085)	—	<b>4,316</b>
The Wellcome Trust- COVID-19	45,265	—	(45,265)	—	<b>—</b>
Kings' College London - Undisciplined Spaces	14,337	5,660	(19,997)	—	<b>—</b>
National Lottery Community Fund - Emerging Futures	31,205	—	(31,205)	—	<b>—</b>
<b>Total Research</b>	<b>403,305</b>	<b>676,782</b>	<b>(398,995)</b>	<b>—</b>	<b>681,091</b>
<b>Communities</b>					
Nuffield Foundation Net Zero	—	250,520	(17,042)	—	<b>233,478</b>
Power To Change Legacy Grant	—	50,000	(23,100)	—	<b>26,900</b>
Power to Change Strategic Grant	—	33,750	(30,000)	—	<b>3,750</b>
<b>Total Communities</b>	<b>—</b>	<b>334,270</b>	<b>(70,142)</b>	<b>—</b>	<b>264,128</b>
<b>Social Innovation and Investment</b>					
The Young Academy Social Incubator Fund Grant	595,247	—	47,343	(218,724)	<b>423,866</b>
UBS AG - Young Academy Fund Management	44,695	25,000	(51,552)	—	<b>18,143</b>
Young Academy Accelerator 2019	2,500	—	(2,500)	—	<b>—</b>
DCMS Boost 2021	—	196,330	(196,330)	—	<b>—</b>
NASS Incubator	5,000	3,000	(8,000)	—	<b>—</b>
Cabinet Office BOOST	—	390,000	(218,655)	—	<b>171,345</b>
YA Revenue Participation	13,260	—	—	—	<b>13,260</b>
BEIS COP26 Climate Challenge Cup	—	125,000	(94,012)	—	<b>30,988</b>
<b>Total Social Innovation and Investment</b>	<b>660,702</b>	<b>739,330</b>	<b>(523,706)</b>	<b>(218,724)</b>	<b>657,602</b>
<b>Total Restricted Funds</b>	<b>1,064,007</b>	<b>1,750,382</b>	<b>992,843</b>	<b>(218,724)</b>	<b>1,602,822</b>

### 13 Restricted fund analysis (continued)

The Young Academy is an impact first investment fund set up by The Young Foundation to provide finance to early stage social ventures whose work tackles education inequality in England. The Young Academy has received £1,391,016 from the Social Incubator Fund which is administered on behalf of the Cabinet Office by the Big Lottery Fund.

During the year, transfers of £218,724 were made from restricted funds to the unrestricted fund. This transfer was in relation to repayments to the Young Academy Investment Fund.

The movement in restricted funds in 2020 was:

	Balance at 1 January 2020 £	Income £	Expenditure £	Transfers £	Balance at 31 December 2020 £
<b>Research</b>					
EU Horizon 20 20- Clever Cities	41,363	—	(22,026)	—	<b>19,337</b>
SHINE Mad Children	3,478	—	(3,478)	—	—
Power To Change – Institute for Community Studies	82,876	—	(82,876)	—	—
Friends Provident - Institute for Community Studies	75,000	50,000	(125,000)	—	—
LB of Bexley- NRPf Ethnography	—	2,930	(2,930)	—	—
EU Horizon 20 20- UPLIFT	—	265,672	(36,561)	—	<b>229,111</b>
Paul Hamlyn Foundation - Peer Research	—	60,000	(23,726)	—	<b>36,274</b>
Calouste Gulbenkian Foundation - Battersea Arts Centre	—	16,130	(4,755)	—	<b>11,375</b>
UPP Foundation - Civic University	—	25,000	(8,599)	—	<b>16,401</b>
The Wellcome Trust- COVID-19	—	207,999	(162,734)	—	<b>45,265</b>
Kings' College London - Undisciplined Spaces	—	15,000	(663)	—	<b>14,337</b>
National Lottery Community Fund - Emerging Futures	—	50,000	(18,795)	—	<b>31,205</b>
Total Research	202,717	692,731	(492,143)	—	<b>403,305</b>
<b>Communities</b>					
Big Lottery Fund - Amplify Youth NI	54,284	—	(54,284)	—	—
Credit Suisse - Amplify Youth	4,108	—	(4,108)	—	—
Communities Can	247	—	(247)	—	—
Belfast City Council	2,877	10,000	(12,877)	—	—
Department for Communities Northern Ireland - Arts For Social Change	—	7,545	(7,545)	—	—
Total Communities	61,516	17,545	(79,061)	—	—



### 13 Restricted fund analysis (continued)

	Balance at 1 January 2020 £	Income £	Expenditure £	Transfers £	Balance at 31 December 2020 £
<b>Social Innovation and Investment</b>					
The Young Academy Social Incubator Fund Grant	578,616	—	72,431	(55,800)	<b>595,247</b>
UBS AG - Young Academy Fund Management	—	94,069	(77,274)	27,900	<b>44,695</b>
Young Academy Accelerator 2019	15,385	—	(12,885)	—	<b>2,500</b>
Oxfam GB- Rootslab	6,086	—	(6,086)	—	—
Nationwide – Reimagining Rent	21,383	—	(21,383)	—	—
NASS Incubator	15,943	—	(10,943)	—	<b>5,000</b>
SHINE	—	22,454	(9,165)	(13,289)	—
Southwark Research	1,265	—	(1,265)	—	—
Barrow Cadbury Trust - Nothing about us without us	4,480	4,000	(8,480)	—	—
YA Revenue Participation	13,260	—	—	—	<b>13,260</b>
Cabinet Office - Inclusive Economic Partnership	—	390,000	(390,000)	—	—
Other	7,016	—	—	(7,016)	—
<b>Total Social Innovation and Investment</b>	<b>663,434</b>	<b>510,523</b>	<b>(465,050)</b>	<b>(48,205)</b>	<b>660,702</b>
<b>Total Restricted Funds</b>	<b>927,667</b>	<b>1,220,799</b>	<b>(1,036,254)</b>	<b>(48,205)</b>	<b>1,064,007</b>

During 2020, transfers of £48,205 were made from restricted funds to the unrestricted fund. These transfers were permitted under grant agreements where projects have completed and in relation to repayments to the Young Academy Investment Fund.

### 14 Analysis of net assets between funds

	Unrestricted		Restricted	2021 Total £
	General £	Designated £	£	
Tangible fixed assets	36,135	—	—	<b>36,135</b>
Investments	—	—	423,866	<b>423,866</b>
Net current assets	666,594	2,900,000	1,178,956	<b>4,745,550</b>
	<b>702,729</b>	<b>2,900,000</b>	<b>1,602,822</b>	<b>5,205,551</b>

	Unrestricted		Restricted	2020 Total £
	General £	Designated £	£	
Tangible fixed assets	5,295	—	—	5,295
Investments	—	—	595,247	595,247
Net current assets	1,515,623	—	496,660	2,012,283
	<b>1,520,918</b>	<b>—</b>	<b>1,064,007</b>	<b>2,612,825</b>

## **15 Related party transactions**

During the year Power to Change made two grants to The Young Foundation, totalling £137,750. In the prior year Power to Change commissioned and paid £33,160 for a report. One of The Young Foundation's trustees is an employee of Power to Change. The trustee has resigned from both positions following the year end. In addition, one of The Young Foundation management team is a former member of the Power to Change management team and continues to be an unremunerated senior associate.

During the year, a donation of £nil (2020 – £1,000) was received from Legal and General Investment Management. One of The Young Foundation's trustees is an employee of Legal and General Investment Management.

One of the trustees who served during 2020 was an employee of the London School of Economics (LSE), £10,000 was received from LSE in 2020.

## **16 Commitments**

The Young Foundation participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The Young Foundation is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", The Young Foundation therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme.

The total cost charged to the statement of financial activities for USS Pension Contributions is £114,190 (2020 – £73,600). This includes £nil (2020 – £nil) outstanding contributions at the balance sheet date.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2020 (the valuation date), which was carried out using the projected unit method. Since the Young Foundation cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2020 valuation for USS was under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion. An alternative way of expressing the position is that the Scheme's assets were sufficient to cover 82.5% of its liabilities – this percentage is known as the funding level of the Scheme.

The deficit has been determined assuming a number of changes to the benefits of the scheme, which have been approved, are made from 1 April 2022.

## 16 Commitments (continued)

### Previous benefits in the Scheme

- ◆ The valuation and report relate solely to the defined benefits section of the Scheme in respect of benefits accrued up to the valuation date. Contribution requirements relate to both the defined benefit and defined contribution sections of the Scheme.
- ◆ The benefits valued are as set out in the Trust Deed and Rules dated 19 November 2015, as subsequently amended. A summary of the Scheme benefits for current active members is available on the USS website. I have made no allowance for discretionary pension increases.
- ◆ The future service rates allow for the increase in Normal Pension Age to 66 from October 2020.
- ◆ Members' benefits are yet to be adjusted to remove inequalities caused by GMPs earned after 17 May 1990. Current benefits have been valued. The Scheme's rules neutralise the vast majority of any inequality arising from GMPs and therefore the impact of GMP equalisation is not expected to be material in the context of the Scheme.
- ◆ A number of members with deferred benefits retain a right to a transfer value on a higher short service benefit. The transfer value is potentially greater than the reserve held in the valuation for the deferred benefit. Further investigations are being undertaken and for the purposes of the valuation an approximate allowance for this potentially more valuable benefit in the technical provisions has been made.

### Future benefit changes

In outline, the JNC recommendation is to maintain the existing hybrid defined benefit / defined contribution structure but modified in the following way for benefits accrued from 1 April 2022:

1. Reduction in salary threshold from c £60,000 pa to £40,000 pa.
2. Reduction in accrual rate from 1/75 to 1/85.
3. Pension increases and revaluation before retirement restricted to CPI up to a maximum of 2.5% pa.
4. Leavers with more than three months' but less than two years' service would receive the standard deferred benefit rather than the current entitlement to a lower benefit based solely on member contributions.

## 16 Commitments (continued)

### Future benefit changes (continued)

Defined benefit liability numbers for the scheme for accounting purposes have been produced using the following assumptions as at 31 March 2021 and 2020:

The projected funding levels three years after the valuation date are shown below.

These projections are made on the basis that:

- ◆ a deed effecting the recommendation of the JNC is entered into on or before 28 February 2022;
- ◆ the active membership remains broadly the same;
- ◆ experience from the valuation date is in line with the assumptions underlying the technical provisions, as set out in the Statement of Funding Principles, including additional returns on assets of 0.5% pa higher than the discount rates;
- ◆ contributions are paid as set out in the Schedule of Contributions; and
- ◆ there is no change in the insurers' buy-out pricing.

	2021	2020
Scheme assets	£66.5bn	£63.7bn
Total scheme liabilities	£80.6bn	£67.3bn
FRS 102 total scheme deficit	£14.1bn	£3.6bn
FRS 102 total funding level	83%	95%