

YHA (England and Wales)
Financial statements
For the year ended 28 February 2021



Company registration number: 282555
Charity registration number: 306122

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YHA (England and Wales)
Financial statements for the year ended 28 February 2021

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Report of the Trustees incorporating the Strategic Report

The Trustees, who are also Directors of YHA (England and Wales) ("YHA"), present their report together with financial statements for the year ended 28th February 2021.

The COVID-19 crisis began at the start of this reporting period and has had a major impact on the finances of the charity. However, the Trustees are confident that the underlying strength of the organisation and the proactive actions taken during the year on costs and liquidity, means we are well placed to weather this ongoing pandemic and remain focussed on the delivery of our 10-year strategy.

That Strategy 'Adventure: For the first time and a lifetime' was signed off by the YHA Board in February 2020 and combines five impact priorities with five enabling priorities that we need to deliver our ambitions for increased reach, income and diversity.

Those priorities have been reviewed by the Board in the light of the COVID-19 crisis and whilst the current financial implications will impact on the speed and scale of implementation, the impact priorities remain more relevant than ever as we emerge from restrictions.

Ahead of the crisis, the year ended 29th February 2020 was our best ever year for turnover. We also reached over 1 million people, over 400,000 of whom were children and young people – increases of over 5% on the previous year – a major step towards our stated intent of being a leading youth charity.

This year was a very different picture as our network of 153 hostel closed on 23rd March in line with the first national lockdown, reopening within the constraints of the Government guidelines on 17th July before entering the second and third lockdowns in November and January.

The guidelines in place whilst we were open did have a major impact on hostels and the number of beds on sale, but we were still able to welcome 103,536 guests of whom 29,997 (29%) were children and young people.

Financially the pandemic had a huge impact on YHA's finances, with our hostel income down c£43m or 82% on last year's levels. However, with a combination of central and local cost savings, maximising the use of Government grants and the furlough scheme, finding new sources of income through repurposing hostels and developing fundraising, we were able to offset this by some £32m, meaning that the overall deficit was limited to £11m.

Charitable objects

The principal objective set out in the Articles of Association of YHA is "to help all, especially young people of limited means, to a greater knowledge, love and care of the countryside and appreciation of the cultural values of towns and cities, particularly by providing Youth Hostels or other accommodation for them in their travels, and thus to promote their health, recreation and education".

Mission and Vision

The COVID-19 crisis has put into sharp focus people's need for connectedness — with other people and places, with nature, the outdoors, culture and heritage. YHA's vision and mission highlights the unique contribution the organisation can make to the recovery of society and to the common good.

Our Vision: Everyone has access to the benefits of adventure, for the first time and a lifetime.

By 2030, every child is able to stay away from home, to travel, experience adventure and access outdoors, nature, culture and heritage. YHA will work with others to end the inequality that means some children have never been to a beach, visited a museum or rolled down a hill.

Our Mission: To enrich the lives of all, especially young people, by providing brilliant hostel stays and experiences that improve physical health, mental wellbeing and life skills.

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Public benefit statement

Our Trustees give careful consideration to the Charity Commission's general guidance on public benefit during our planning processes and delivery of our work.

As a leading youth charity, YHA's purpose is to harness the transformative power of travel, adventure, and discovery for young people. It seeks to create an environment that offers everyone opportunities to explore, learn, share and grow, in ways which are appropriate to their characteristics and circumstances.

YHA is set up to provide inspiring opportunities for young people with the principal belief that where you go changes who you become.

We recognise the importance of affordable travel to connect people to outdoors, nature, heritage and culture.

With more than 150 locations throughout England and Wales, YHA offers a unique range of affordable and accessible accommodation, including hostels, camping and cabins in rural, coastal and city locations, often benefitting from spectacular buildings or scenery.

In a normal year YHA encourages people to get involved through staying in one of its locations, on a school trip, a summer camp, as individuals or families, and through work experiences, volunteering, donating, or taking part in one of YHA's challenge events like the London Marathon.

Last year our ability to deliver these benefits was severely compromised by the COVID-19 crisis. Whilst we chose to reopen as much of the network as possible, the restrictions in place meant we had just under 30,000 young people staying with us instead of over 400,000 in 2019-2020. Instead of over a million people staying overnight with many using us as a base for day activities, walks and exploration, we managed to accommodate just over 100,000.

With the entire hostel network closed for recreational use on 23rd March, a specialist reservations task force was set up to find ways to repurpose our hostels to assist the national effort to support key workers, NHS staff and vulnerable people. With recreational stays prohibited, repurposing offered YHA an opportunity to make an impact. Across the organisation, we considered where the network could best support the needs of communities. Early on, we identified homeless people and women experiencing domestic abuse as people to whom we could offer real support and over the course of the year 47 of our hostels were repurposed at various times supporting 650 vulnerable people with c.47,000 overnight stays.

With in-person opportunities impossible during periods of lockdown, the charity found new ways to engage young people with volunteering. A partnership between Waltham Forest College and YHA has helped 38 first year travel and tourism students gain vital work experience over lockdown. The students set up their own YHA-focussed Instagram account to raise awareness of YHA amongst their peers. They also acted as secret shoppers, testing the website for ease of use and booking.

Prior to the pandemic, more than 1,000 young people a year volunteered in YHA hostels in order to learn new skills, boost their CVs, give something back and travel. To support young people to complete their Duke of Edinburgh Award during COVID-19, YHA has launched a number of virtual volunteering opportunities with roles in fundraising, videography, and social media. So far, over 100 DofE volunteers have completed or are completing projects including a 100-mile fundraising walk, a sponsored week of chores, a charity Twitch stream, and a TikTok video review of YHA hostels.

We were delighted towards the end of the year that Access Unlimited – the coalition of leading not for profit national outdoor residential charities which we lead – was successful in its bid for a £2.5m grant to the Government's Green Recovery Challenge Fund. This bid has allowed us to develop exciting plans for the 'Generation Green' programme which will see us increasing our reach to more disadvantaged young people, including through residential stays, volunteering and employment opportunities.

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More detail on the positive difference YHA makes, especially to the lives of young people, is regularly updated on the impact pages of the YHA website. We published our annual Impact Report covering the pre pandemic year to coincide with our first virtual AGM held in November 2020. In addition, in March 2021 we published "COVID stories" which chronicles YHA's journey from March 2020 to February 2021 and the contribution that YHA made to society through a devastating year.

STRATEGIC REPORT

Strategic review

Going into this year our new 10-year Strategy set clear priorities for the organisation.

Our Strategic Priorities

Impact priorities

1. Our top priority is to ensure that all means all, increasing the scale and breadth of our reach and ensuring that YHA is for everyone; **we will promote social inclusion and equity of access** with a particular focus on young people under 26 and by proactively targeting our efforts on those with challenging lives.
2. **We will increase access to stays away from home and improve connections to nature, outdoors, heritage and culture** – recognising that our hostel network provides unique opportunities for the many not just the few.
3. **We will improve physical and mental wellbeing** by providing activities and programmes and by supporting people to take their own action using our hostels as a base – both through overnight stays and as part of day visits.
4. **We will develop life skills and employability** through the development of the YHA Campus and YHA Curriculum; for our staff, volunteers, and the young people that we work with.
5. **We will contribute to social cohesion**. We will encourage different sectors of the community who visit us — both overnight and for day visits — to learn from and with each other. We are part of the sharing economy. We will make best use of our places and spaces, and our activities programme, to make stronger links to local communities.

Enabling priorities

6. **Maintain a viable network of quality hostels** – places and spaces – that matches our strategic ambitions.
7. **Deliver against a framework of industry standard benchmarks** that draws on the best quality models across charity, social enterprise, hospitality and work with young people. Work with transparency and with a focus on the experiences of our users – excelling in both digital and offline services.
8. Support growth by continuing to **generate an annual cash surplus** that supports our strategic intent, based on social enterprise principles.
9. Recognise that the risks to the environment and to the world and its population are a real and immediate threat by connecting people to nature. We will set a strong example - in how we use our assets and through our work with partners **we will help to improve the environment**.
10. **Build support for the hostelling cause** – drawing on our 90-year history to establish the importance of hostelling for all today; growing both the numbers of members but also how many members are active with YHA and leading the movement for those who support hostelling as a route to affordable travel and adventure.

Report of the Trustees incorporating the Strategic Report

Business/Operating Plan 2020/23

Previously YHA has developed and agreed a new Business Plan every three years, and a separate one-year Operating Plan every year. Moving forward these will be combined into one Business/Operating plan that is reviewed and rolled forward annually, to aid more agile planning.

Going into the year we planned a series of workstreams that were set to be delivered over the next three years, complete with more specific and detailed quarterly milestones for the forthcoming financial year, with each project being linked to the 10 key strategic priorities.

Scale

- We will increase our focus on how groups can use our hostels – particularly schools and youth groups but also communities, groups of friends and those wanting to hire out entire hostels.
- We will develop our capital strategy to continue to ensure we have the right hostels, in the right places to the right standards.
- We will consider all of our potential income streams and ensure we have the best mix for a modern charity and thriving social enterprise.
- We will use our 90th Anniversary and launch of our 2020-2025 Strategy to reach new audiences, partners and profile.

Access

- We will diversify our governance, staff and users with an early focus on youth engagement and better understanding our current demographics.
- We will prioritise our user experience including looking at every stage of the user journey.
- We will increasingly look at how we use our hostels for both day visits and as part of their local community.
- We will develop our profile, presence and relationships in Wales.
- We will develop new programmes aimed at specific audiences including those with the most challenging lives.

Depth

- We will develop our member offer to encourage members to be even more involved with YHA at every level.
- We will better understand our estate and – while maintaining charity wide standards – look at how we can make the most of each hostel's unique characteristics.
- We will continue investment in IT and digital services with a particular focus on how these impacts on user experience and a lifelong journey with YHA.

Quality

- We are developing our programme offer – continuing to be the leading residential provider and offering an increasing range of high-quality activities that connect people to nature and outdoors, culture and heritage.
- We will develop the YHA Campus and Curriculum – expanding our volunteering offer and working to provide new work experiences, internships and routes to employment.
- We will develop and deliver a quality framework that draws on our hospitality excellence and benchmarks us against the best in the charity and hospitality sectors.

These plans were immediately revisited at the start of the COVID-19 crisis and targets reset against these priorities. The core of our plans were distilled to two key areas **Reboot** and **Renew**.

Reboot was, at its simplest form, how do we go from a closed network to reopen accommodation and activities, and having an impact again, in the safest possible way in the new climate.

The Government indicated the hospitality sector was expected to reopen from 4th July. As a charity with a duty of care to our supporters, beneficiaries, staff and partners, the situation compelled YHA to progress with caution and careful consideration — guarding against financial and reputational loss.

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In order to reopen, the executive set rigorous criteria. So long as the Government maintained that hostels could reopen, they would but only if:

- we were confident we could reopen safely.
- the public and our partners in the communities we are located were supportive.
- we could do so viably in a way that safeguards the charity for the future.

On 17th July, we began a phased reopening of selected properties. This was a mix of 34 hostels open for the sale of private rooms or Alternative Accommodation (camping, cabins) and the remainder available for Exclusive Hire. Sadly, Government guidance prevented the re-opening of dorm rooms or social spaces such as self-catering kitchens — unique and fundamental features of the hostelling experience. This meant many more hostels than usual could only open viably on the basis of Exclusive Hire, and at various times 47 of our hostels remained closed to support vulnerable people and accommodate key workers.

Notwithstanding this focus on reopening, we were still able to progress key projects within the original plan, including establishing YHA's first Youth Advisory Team with the objective of strengthening young people's voices in YHA decision making and governance; introducing an increased focus on lived experience in our Trustee recruitment process; developing work on Campus and Curriculum including new apprentice and volunteering roles and a new partnership with Kickstart; and progressing our emergent Wales strategy including securing funding for a Wales development role.

The **Renew** programme began in November 2020 and will run through 2021 and beyond. It is a programme of activity to enable YHA to recover from the pandemic in the best possible shape to deliver its mission and strategy in the years to come — the aim, to ensure YHA's future prosperity. It incorporates YHA's revised Business and Operating Plan, with a one-year plan agreed for the 2021-22 year.

During 2020-21 programme activity was principally focussed on work planning. Detail around what the programme involves is outlined in the future plans section of this report.

Performance review

	2021 £ million	2020 £ million	2019 £ million	2018 £ million
Hostel revenues	13.6	52.0	49.4	49.4
Hostel direct costs	<u>(14.4)</u>	<u>(35.3)</u>	<u>(32.9)</u>	<u>(32.2)</u>
Hostel surplus	(0.8)	16.7	16.5	17.2
Membership and fundraising income	3.3	2.7	2.2	2.2
Non hostel costs	<u>(8.4)</u>	<u>(10.4)</u>	<u>(10.1)</u>	<u>(9.7)</u>
(Deficit)/surplus before maintenance and investment	(5.9)	9.0	8.6	9.7
Current year maintenance and investment	(3.7)	(6.0)	(4.4)	(4.3)
Loan repayment and interest on previous investment	<u>(1.4)</u>	<u>(1.5)</u>	<u>(1.4)</u>	<u>(1.3)</u>
Operating (deficit)/surplus	<u><u>(11.0)</u></u>	<u><u>1.5</u></u>	<u><u>2.8</u></u>	<u><u>4.1</u></u>

The format of the above operating statement is presented in line with YHA's internal management accounts. The reporting highlights the operating cash (deficit)/surplus generated in a normal trading year to fund ongoing maintenance and investment in the hostel network. A reconciliation to the result shown in the statement of financial activities which include non-cash items such as depreciation, is shown on the next page.

The impact of the COVID-19 crisis is clear. Revenues of £13.6m were 74% less than previous year's trading. This figure would have been worse if not for the £3.1m of income from the repurposing of our hostels and £1.5m from the Local Authority grants available.

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The fact that this £38.4m reduction in income only resulted in a £11.0m operating deficit is testament to the work of the organisation to maximise available funding and grants whilst at the same time cutting costs wherever possible.

In doing this we also had to maintain enough of our core infrastructure to ensure that the charity can continue to deliver its strategy on a return to more normal trading conditions. So, whilst the governments furlough scheme helped us retain many more people than we otherwise might have been able to, we sadly lost 380 colleagues with eight voluntary redundancies. The vast majority of these were seasonal contracts in the hostel network but the total also includes some permanent posts as we look to gear the organisation for the future.

Our fundraising team had a particular busy year and net income was up £0.6m (22%) on last year's record levels.

The trading results set out on the previous page, reconcile to the results reported in the Statement of Financial Activities (SoFA), as follows:

	2021 £ million	2020 £ million	2019 £ million	2018 £ million
Net surplus per management accounts	(11.0)	1.5	2.8	4.1
Loan repayments	0.1	0.2	0.2	0.2
Capital investments	0.9	1.9	0.7	0.9
Depreciation	(5.1)	(5.4)	(4.9)	(4.7)
Profit on property sales after re-organisation costs	0.2	-	0.6	0.3
Capital grants	-	0.2	0.1	-
Non trading items*	(0.1)	(0.3)	(0.1)	(0.1)
Non actuarial pension and investment movement	0.7	0.6	0.5	0.6
Operating statement (deficit)/surplus	(14.3)	(1.3)	(0.1)	1.3

*Non trading items includes charges relating to refinancing 2021 (£0.1m) 2020 (£0.3m) 2019 (£0.2m) 2018 (£0.2m).

COVID-19 and going concern

These accounts cover the trading period from 1st March 2020 to 28th February 2021 and as such were impacted by the COVID -19 restrictions from their introduction in March, through their easing in the summer, before their re-introduction at the end of the year.

Even when we were able to open, the restrictions on the use of shared facilities, international quarantine requirements and the embargo on school group visits adversely impacted on the charity through reduced business levels.

In last year's financial statements, we noted that the adverse impacts of the pandemic on the charity were likely to continue into 2021 in the absence of a rapid successful vaccination programme. It is now clear that those impacts will continue into 2021-22.

The financial resilience built up previously by YHA enabled the charity to progress through the initial 2020 shutdown period utilising the existing banking facilities with HSBC. In July 2020 we were able to access £15m of funding from the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") via HSBC. This loan supported our short-term cash requirements over the winter period and provided protection for YHA from a further sustained material downturn in demand as a result of ongoing restrictions over an additional 12-month period.

The CLBILS funding continues to provide protection from the restrictions still in place, with £6.0m remaining undrawn to provide protection over the winter of 2021/22. Further liquidity has been added in May 2021 through the sale of our Cardiff Hostel. This hostel had been repurposed during the pandemic to provide Cardiff Council with accommodation for the homeless and its sale to them will allow this to

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continue as well as releasing cash for YHA. We are actively considering options for further hostel sales should further cash headroom be needed.

Discussions are well advanced with HSBC for a two-year extension to our existing 5-year facility which is due to end on 24th November 2021. At the time of signing of these accounts draft Heads of Terms have been exchanged and formal credit approval has been requested, although no final decision by the bank has been made.

In this context, these financial statements have been prepared on a going concern basis taking note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is an appropriate basis of preparation of the financial statements.

The Trustees have reviewed forecasts to July 2022 as well as our longer-term projections to February 2024. Worst case scenarios were modelled based on likely levels of pandemic restrictions and, taking these into account, it was concluded that the Charity will be able to meet its liabilities as they fall due over the period.

Notwithstanding this positive indication of the financial stability of the charity and the progress made on vaccinations there remains a scenario in which there are further prolonged Covid-19 lockdowns. It is also possible, though unlikely, that HSBC will withdraw Credit approval before a formal agreement is signed. In either of these circumstance that would represent a material uncertainty which could cast doubt on the company's ability to continue as a going concern.

Nonetheless the Trustees expect that YHA has sufficient resources to enable it to continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustment that would arise if the going concern basis of preparation was not considered appropriate.

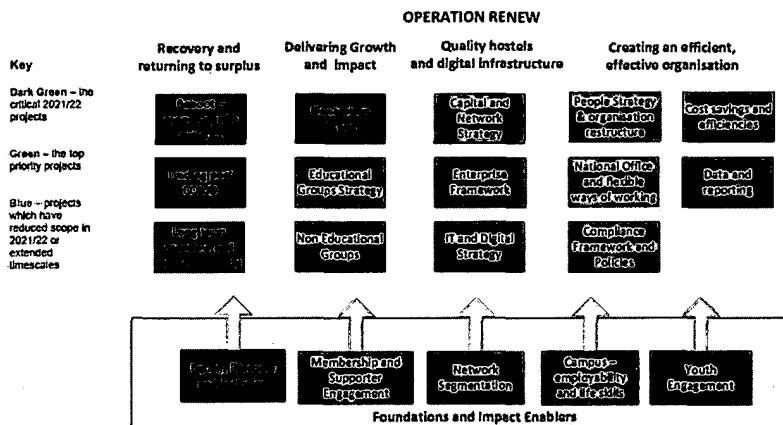
Future plans

YHA Strategic and Business Plans

As noted previously in this report, the Renew programme began in November 2020 and will run through 2021 and beyond. It is a programme of activity to enable YHA to recover from the pandemic in the best possible shape to deliver its mission and strategy in the years to come — the aim, to ensure YHA's future prosperity and to maximise its impact.

Renew brings together a number of key work streams, structured around four key themes, supported by projects building strong foundations and impact enablers for the organisation.

With the ongoing pandemic we have had to prioritise these carefully to ensure that we can deliver these within the reduced resources we have available.



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We have also set clear KPI's to measure progress against our plan. Targets for 2021/22 have been reduced to reflect the ongoing COVID-19 restrictions.

KPI	Delivering YHA object	Target over 5 years	Target for 2021/22
No. of people staying at YHA overnight	YHA is for all	5,000,000	430,000
Those who stay with us, benefit from our provision and support, our employees and volunteers, reflect the demographics of England and Wales)		KPI will be developed over 2021/22	Baseline data collection in progress
No. of young people staying at YHA overnight	Especially Young People	2,500,000	150,000
No. of young people with challenging lives staying at YHA overnight	Of limited means	250,000	15,000
No. of schools from deprived areas staying or training young people with YHA		KPI will be developed over 2021/22	
Number of YP accessing an adventure or experience with YHA (during stay)	To a greater knowledge, love and care of the countryside and appreciation of the cultural values of towns and cities	Linked to Generation Green Project for 2021/22	Targets outlined in funding bid
Number of people who say that they accessed nature, outdoors, culture and heritage as part of their stay		Linked to Generation Green Project for 2021/22	
Customer satisfaction	Particularly by providing hostels or other simple accommodation for them in their travels	At least 90% in every hostel	90% of all open hostels achieving a score of at least 90%
No of people (including young people) who experience a positive impact on health, wellbeing as a result of YHA	And thus to promote their health, rest and education	Linked to Generation Green Project for 2021/22	Targets outlined in funding bid

In addition, from a governance and compliance perspective the Board and its committees will receive regular reports covering the following key areas:

- Financial performance
- Carbon use
- Loan covenant compliance
- Reportable incidents
- Employee engagement

Risk Review

YHA seeks to embed risk management into day to day working practices. Leading this is the identification and treatment of the key organisational risks, which comes to the Board for formal review once a year and is tabled at each meeting of the Audit and Risk Committee. More detailed risk registers are also prepared, for example on COVID, Brexit and for more specific risks facing individual departments.

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The key organisational risks are reported to the February Board meeting. This year the report identified a total of 15 key risks. Post mitigation there are three very high risks, 11 medium risks and one low risk.

High Risks

- Ongoing impact of global Pandemic
- YHA is unable to fund ongoing working capital requirements with no available cash or loan headroom
- YHA unable to fund its long-term capital needs

Medium Risks

- Undeferable compliance works and costs are required to be completed in 2021 putting pressure on already restricted budgets
- Lack of investment in YHA network and infrastructure leads to degradation of quality of products and offering over the next two years
- Failure to deliver the 10-year strategy
- Lack of capacity within teams to deliver priority projects within the operating plan
- Work related stress or mental health impacts on YHA employees and Trustees
- Non-compliance with legislation both current and upcoming
- Inadequate or ineffective safeguarding policy or practice resulting in or contributing to serious harm to a young person
- Failure to protect YHA from major cyber security attacks
- YHA is unable to deliver targeted cost savings
- Change of organisational structure adversely affects capacity and momentum
- Failure to deliver on key funded projects

Low Risks

- Fatality due to failure of YHA operational arrangements

Streamlined energy and carbon reporting ('SECR')

We are committed to developing policies and initiatives to support the reduction of greenhouse gas emissions. Energy efficiency and environmental sustainability are considered in all our activities and sustainability is a key part of our 10-year Strategy.

Methodology

The report follows the GHG Reporting Protocol – Corporate Standard, as the accepted methodology to meet the mandatory SECR requirements. Energy and GHG emissions are reported from our hostels and central office buildings and this includes electricity, natural gas, heating oil, and business travel in company-owned cars. The figures below detail the regulated SECR energy and GHG emission sources from the current reporting period. As this is the first year of reporting, no comparison to previous years is available.

The 2020 UK Government's Greenhouse gas conversion factors have been used to calculate the carbon emissions. We have used the income from charitable and trading activities to calculate the intensity ratio.

	Year ended 28 February 2021	
	Energy kWh	Emissions tCo2
Scope 1 emissions		
Natural Gas	8,781,239	1,615
Heating Oil	5,102,036	1,202
Company Vehicles	224,139	56
Scope 2 emissions		
Electricity	5,178,335	1,207
Total Energy and SECR emissions	19,285,749	4,080
Intensity ratio: tCo2e per £m of income from charitable activities		302

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GOVERNANCE AND ADMINISTRATION

Board of Trustees

Organisation

The Board of Trustees has overall responsibility for the work of YHA, setting strategy, direction and targets.

During 2020/21 the Board met nine times – more than a normal year reflecting the need for close Board scrutiny of YHA's approach to managing through the COVID pandemic. The Board has appointed a number of committees consisting of certain Trustees. As at the date of this report, the following are the principal committees: the Audit and Risk Committee ("ARC"); the Finance Committee ("FC"); the Impact and Engagement Committee ("I&E"); and the People and Remuneration Committee ("PremCo").

With effect from the 3rd April 2020, the Board appointed an Emergency Committee to consider urgent matters during the Coronavirus pandemic. The members of the Emergency Committee are the Chair, Vice Chair, Treasurer and the Chairs of I&E and PremCo.

The Board delegates day to day management to the Chief Executive and Executive Team.

The Board of Trustees has up to 15 members and may co-opt a further two. None of the Executive, including the Chief Executive, are members of the Board. The tenure on the Board is a maximum of two, four-year terms. This may be extended if taking up a National Officer position. All the Trustees are unpaid volunteers recruited from the wider YHA membership.

With effect from 2019, the vote for the election of Trustees was widened to all Association Members. That vote was held online in advance of the 2020 AGM with the result announced at the meeting.

Barbara Kasumu and Fiona Steggles were re-elected to the Board for a further term and Clare Fordham was appointed as a Trustee for an initial term of four years at the AGM on 7th November 2020.

Tegryn Jones and Caleb Stevens were co-opted as members of the Board from the conclusion of the 2020 AGM both for a one-year term. Phil Bale stood down as a co-opted member of the Board at the end of the 2020 AGM.

Principles of governance

With regard to governance, YHA supports the principles of good governance set out in the Charity Governance Code for larger charities and the continuous improvement model that it promotes. During 2020, YHA continued to progress actions to enhance compliance with the provisions of the Code. In addition, Russell-Cooke Solicitors had undertaken an external governance review in 2018 which focussed on three key sections of the Code for larger charities: Purpose; Decision Making; and Board Effectiveness. The results of both reviews were positive, and action is ongoing in those areas identified for improvements.

Russell-Cooke have been engaged to undertake a further external governance review in 2021, focusing on two more areas of the Charity Governance Code – Integrity and Equality, Diversity and Inclusion.

During the year the Chair held annual trustee reviews to discuss the board's own performance and that of individual trustees. The Vice-Chair held a performance review of the Chair.

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Training

All new Trustees attend an appropriate induction course. During the pandemic this was presented virtually. The training is based on the guidelines set down by the National Council for Voluntary Organisations (NCVO) and covers:

- Governance – the role and responsibility of Trustees, governance structure and reform, Articles of Association, and key YHA governance documents.
- Briefings on key issues currently being discussed by the Board. Meetings with each member of the Executive Team and their support staff to gain an insight into the operational areas of the organisation.
- Trustees are supplied with a comprehensive manual containing key policies and documents and papers from recent and relevant Board meetings.
- Trustees complete safeguarding training annually and also upon induction.

In addition, Board workshops are ongoing after Board meetings focusing on key themes to support trustees in their role. Over 2020 these included:

- understanding youth voice and participation in charity governance
- exploring power and privilege in governance
- running outdoor learning activities for young people

Elections to the Board

Candidates to fill vacancies on the Board are proposed by the Nominations Panel (NP).

The NP consists of:

- an independent Chair
- a Trustee representative
- two members elected by and from the Association Membership

The Board advises the NP of the skills, knowledge and experience desirable among new Trustees in order to achieve a balance of skills and experience in the Board of Trustees.

The NP is tasked with advertising for and interviewing potential Trustees with the requirement to draft a short-list of suitable individuals to be included in a vote bearing in mind the skill gaps identified by the Board. From 2019 voting for Trustees has taken place online before the AGM, with the result announced at the meeting.

There were three Board Trustee vacancies in 2020. 109 people applied to become Trustees in 2020 from whom the NP nominated eight candidates, including two existing trustees. A particular focus this year was to attract more younger candidates to the Board, and we were delighted that 33 candidates were under 26. Of these, three were shortlisted and Caleb Stevens was co-opted on to the Board.

Members of the Board of Trustees at 28 February 2021

Margaret Hart, Chair

Margaret was appointed as a Trustee of YHA in 2016 and became Vice Chair in 2017 and Chair in 2019. A geographer by background, she has had a long career covering social work, the children's voluntary sector and higher education, in roles ranging from front line service delivery and teaching to national Director level roles in both the charity and university sectors.

An underpinning theme has been her passion for enhancing the lives of young people, particularly those from disadvantaged backgrounds, and she brought this with her into YHA, together with her love of the outdoors.

As Corporate Director for one of Britain's largest children's charities, Margaret pioneered innovative ways of involving young people in management and governance, and is delighted to see the establishment of YHA's Youth Advisory Team as a significant step along our journey to becoming an increasingly diverse and inclusive organisation.

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Margaret has been an enthusiastic hosteller since her teenage years, staying with YHAs as a base for climbing all the Wainwrights and Munros, and walking long distance paths such as the Pennine Way and the Great Walks of New Zealand. She is currently enjoying introducing the third generation of her family to YHA.

Marcus Holburn, Vice Chair

Marcus is a qualified Chartered Accountant with more than 20 years' experience in both large and small businesses. He is currently Finance Director of a consumer finance business in the Thames valley, and previously spent 14 years at M&G Prudential in a number of senior finance, risk management and commercial roles. Marcus is a passionate believer in the YHA purpose and values. He has enjoyed hostelling since his teenage years, for canoeing and walking trips to different parts of the UK.

Graham Turnock, Treasurer

Graham joined the Board in 2015. Graham has been a member of YHA since childhood and continues to enjoy hostelling in the UK and Europe. Graham has experience as a senior manager in the public sector and is currently Chief Executive of the UK Space Agency.

Hayley Barnard

Since 2014 Hayley has served as the Managing Director of MIX Diversity Developers, helping many large organisations shift their culture to one that is more inclusive of diversity. Her clients range from NHS Trusts to global companies such as Microsoft, T-Mobile and Britvic. She hopes to bring this expertise to the YHA to support our aim to reach an ever-wider range of people.

Previously Hayley worked at Non-Executive and Executive Board level at a number of travel and expedition companies. Her postgraduate training is in marketing, and she has significant experience in and passion for digital engagement.

Emma Bradley

Emma spent the first part of her career in the travel industry and passionately endorses YHA's belief that 'where you go changes who you become'. She also believes that access to nature and being outside can have positive effects on mental health and wellbeing.

After spending time in the travel industry Emma worked at the BBC, initially as Marketing and Fundraising Director for BBC Children in Need, and then in other marketing and strategy roles. She now runs Corporate Social Responsibility at Global, the media and entertainment group, which encompasses the UK's largest commercial radio company, including youth brand, Capital. As part of this brief, she runs the in-house charity, Global's Make Some Noise, which supports projects working across safety and shelter, physical and mental health, isolation and inclusion and life skills. Emma is also Chair of Governors for a secondary school. She became a Trustee in 2019.

Clare Fordham

Clare has worked in both television and radio news for over 25 years, enjoying time in both commercial and BBC newsrooms. She spent eight years travelling across Britain and further afield at ITV News, before moving across to the BBC. She's currently the editor of all daytime programmes on BBC Radio 5 Live, looking after a range of high-profile presenters, holding power to account, and making sure the listeners are entertained and informed. Clare is used to high-profile news projects; she's planned award-winning news stories involving NASA, the Duchess of Cornwall and Downing Street, as well as masterminding programming throughout the pandemic. Clare is passionate about finding and celebrating unheard voices and hearing untold stories. She takes great pride in her involvement with efforts to reach diverse audiences and bring a far broader range of perspectives to the programmes.

As a trustee of the Bury Voluntary Community and Faith Alliance, Clare has gained great insight into the rewards and challenges facing smaller local charities, the huge importance of volunteers, and engaging communities to help themselves. The YHA has been central to some of the great experiences of Clare's life, and she is passionate about widening that access for others.

Report of the Trustees incorporating the Strategic Report

Cathryn Hayhurst

Cathryn was elected as a Trustee in 2017. Access to the outdoors is one of her passions and you will most likely find her hiking a fell or playing in a boat in the Lake District. Her young daughter and husband can be found enjoying the communal aspect of YHA hostels whilst Cathryn attends Board meetings.

Cathryn is a qualified accountant and insolvency practitioner with a BSc in Environmental Sciences, and is currently a member of the senior finance team at The Co-op. Previously she worked for five years at the National Trust where she was commercial lead for the Renewable Energy Programme to generate 50% of energy from Renewable Sources including hydro schemes. She developed her finance skills at KPMG and funding strategy at Barclays.

Tegryn Jones

Tegryn Jones is Chief Executive of the Pembrokeshire Coast National Park Authority. This role involves managing the Pembrokeshire Coast National Trail, along with a number of conservation sites and popular visitor attractions.

He has a degree in geography from Aberystwyth University and an MBA from the Open University and has previously worked for the General Teaching Council for Wales, Swansea University and Urdd Gobaith Cymru. Prior to joining the National Park Authority, he was Chief Executive of Keep Wales Tidy where he worked with the Welsh Government to develop the Tidy Towns initiative and the expansion of the Eco-Schools programme and Blue Flag Award in Wales.

Tegryn has been a charity trustee of the DPJ Foundation, a charity working to support men in the agricultural sector with mental health issues, and UNA Exchange, a charity promoting international exchanges for young people. He is currently a trustee of the UK National Parks Foundation. Tegryn is also Chair of Governors of Ysgol Caer Elen, a 3 to 16 Welsh medium school in Haverfordwest.

Barbara Kasumu

Barbara is the Director of Membership, Talent and Inclusion for the National Union of Students (NUS) a voluntary member organisation representing the interests of more than 7 million students and 600 students' unions. Barbara has championed equality in over 50 organisations across three continents. Barbara consults and speaks on the participation, employment and leadership of young people and women. She has represented the voice of seven million young people on the international stage including at the G8 and G20 summits. Barbara has a BA in Politics and a Masters in International Public Policy from University College London.

Josie Murray

Josie joined the Board in 2015. Josie has worked in the historic environment sector throughout her professional life and during the past twenty years exclusively with property. This has ranged from major infrastructure projects to private residential properties. She is currently involved in the management and interpretation of historic buildings and is particularly interested in ensuring that buildings are effectively managed to protect their historic significance while delivering commercial objectives. Josie took over as chair of PremCo after the February 2019 Board Meeting.

Hannah Paterson

Hannah lives in Manchester with her wife Jess. She started her career campaigning for the rights of disabled students whilst studying at university, she was particularly focused on improving access, having experienced a number of blockers herself within an education system that is currently designed around the 'average' person rather than being adaptable and flexible to different needs.

Hannah was introduced to YHA at a very young age and every January her family uses YHA to lift the post-Christmas blues and blow away the cobwebs with stays and walks in various parts of the country.

Hannah has significant experience in the not-for profit sector. She currently works as a Senior Portfolio Manager for the UK Portfolio team at the National Lottery Community Fund focusing on developing and implementing the aims of the portfolio. Her work has included focusing on equality, diversity and

Report of the Trustees incorporating the Strategic Report

inclusion, as well as programme design and development using participatory approaches. She is a Churchill Fellow and is researching the topic of participatory grant making in South Africa and the USA.

Outside of work, Hannah is extremely embedded in local community work that brings together people from different backgrounds around shared themes.

Simon Reeve

Simon has significant international experience in developing teams and organisations, especially in engineering-related industries. In his current role, as Director of Commercial Engagement at Lloyd's Register Foundation, he sets up new business ventures and partnerships to extend the impact of the Foundation's work in supporting research, education; skills development and public engagement across all sectors and sections of society for a safer world. In his spare time, Simon is an avid outdoor enthusiast engaging in cycling, hill-walking, canoeing, sailing, surfing and skiing, frequently staying in Youth hostels as part of these activities.

Chris Roberts

Chris is an international business lawyer who as General Counsel manages worldwide legal and compliance matters for large corporates. Chris has previously served as a trustee for charities active in housing services and helping to address homelessness.

As a life member of the YHA, he enjoys outdoor activities such as cycling, walking and scuba diving. Since 2013, Chris has served as a member, then as Chair, of the Remuneration Committee, as well as a member of the Finance Committee and CEO Recruitment Committee. Currently, he is a member of the Audit and Risk Committee and the Nominations Panel.

Fiona Steggle

Fiona is a senior lecturer in journalism at the University of Central Lancashire. She previously worked for the BBC for almost 20 years. During that time, she reported and produced for radio and television, presented radio programmes and made documentaries. For eight years she produced the BBC1 regional news programme NorthWest Tonight, winning two Royal Television Society awards. She currently also runs her own media training and consultancy business working with local authority and commercial organisations.

Caleb Stevens

Caleb Stevens is an experienced safeguarding and child protection officer, supporting children and young people with their mental health, wellbeing and welfare.

Having completed a degree in public services, Caleb is currently studying a Masters in Diplomacy and International Relations as well as in Advanced Child Protection. Caleb has a multitude of governance appointments, presiding as the strategic lead for safeguarding for over five including being a Vice Chair for a large multi-academy trust in Cornwall. Caleb also enjoys serving as a Special Educational Needs and Disabilities Lead Governor for a large primary school.

Appointed as the youngest Magistrate for the Ministry of Justice in 2017 and former Independent Monitoring Board Member for Her Majesty's Prison Exeter, Caleb is committed to equality and diversity and has supported many organisations with their inclusivity and interaction with children and young people. This particularly includes developing 'youth voice' at strategic level, where Caleb is passionate about challenging perceptions that young people can have significant levels of responsibility, including Trusteeship.

Caleb is one of the YHA's youngest Trustees in the organisation's 90-year history since foundation and hopes to contribute his knowledge, experience and enthusiasm to developing and embedding 'youth voice' within the YHA. Furthermore, Caleb looks forward to contributing additional expertise on education and safeguarding to ensure all children and young people receive the best support and outcomes YHA has to offer.

Report of the Trustees incorporating the Strategic Report

Living right next to Dartmoor, in his spare time Caleb enjoys taking long moor walks which has further contributed to his passion for being immersed within nature, travelling the UK and staying with many YHA hostels in the process.

Robert Varley

Robert has been a keen hosteller since his youth. He has a passion for the outdoors and loves exploring Britain's wild country and coastline on foot. A family man, a dad and a grandad, he has been volunteering in children's and youth work for over 40 years. He has a passion for everything the YHA stands for and is keen to see it make a real difference to even more young lives in the years ahead. "Because where you go changes who you become."

A meteorologist by profession, Robert worked for 35 years at the Met Office. He has served on numerous Boards and Councils at national and international level – as Chief Executive of the Met Office, Non-Executive Director of Ordnance Survey, President of Eumetnet, Vice President of the Royal Met Society and Vice President of the World Meteorological Organisation. In 2012 Robert was named as the Institute of Directors' Director of the Year (Public/Third Sectors), and in 2016 he was awarded an honorary degree of Doctor of Science from the University of East Anglia. He now works as a strategic consultant to leaders of weather services around the world.

Board meetings attended	No.	Term of office
Philip Bale	7 of 7	Ended 2020
Hayley Barnard	8 of 9	Ends 2023
Emma Bradley	7 of 9	Ends 2023
Clare Fordham	2 of 2	Ends 2024
Margaret Hart	9 of 9	Ends 2022
Cathryn Hayhurst	9 of 9	Ends 2021**
Marcus Holburn	9 of 9	Ends 2021**
Tegryn Jones	2 of 2	Ends 2021*
Barbara Kasumu	7 of 9	Ends 2024
Josie Murray	9 of 9	Ends 2022
Hannah Paterson	7 of 9	Ends 2022
Simon Reeve	8 of 9	Ends 2022
Chris Roberts	8 of 9	Ends 2021
Fiona Steggles	9 of 9	Ends 2024
Caleb Stevens	2 of 2	Ends 2021*
Graham Turnock	9 of 9	Ends 2024
Robert Varley	9 of 9	Ends 2023

*eligible to be co-opted for a further one-year term

**eligible for re-election for a four-year term

Disclosures of Interest

No Trustee had, during or at the end of the year, any interest in contracts that are significant in relation to YHA's business other than disclosed above or in note 33 of the financial statements. For the purposes of company law, the Trustees listed above are also the Directors of YHA.

Executive Team

Chief Executive:

James Blake

Other senior executives:

Chief Finance Officer and Company Secretary
 Executive Director of Operations and People
 Executive Director of Property and Risk
 Executive Director of Strategy, Commercial and Engagement

William Howarth
 Jane Price
 Jake Chalmers
 Anita Kerwin-Nye

Report of the Trustees incorporating the Strategic Report

Jerry Robinson resigned as the Chief Operating Officer on 31st December 2020, and his responsibilities were distributed amongst other members of the Executive team. Jane Price and Anita Kerwin-Nye were formally appointed to their new Executive Director roles on 1 March 2021, having undertaken the roles on an interim basis since 1 January.

Employees

YHA is an Investors in People Gold organisation and is committed to employment policies which follow best practice based on equal opportunities for all employees irrespective of age, sex, sexual orientation, race, colour, disability, marital status, religion or belief.

Employees are kept informed of plans, receive regular updates on performance against our plans, are encouraged to attend or feed into our regular listening groups and attend our twice-yearly business briefings.

We had to temporarily close our National Office in Matlock because of the pandemic in March 2020, and employees moved immediately to remote working which continued throughout the year. We immediately introduced new means to engage with our staff team, including weekly all staff emails from the Chief Executive and weekly or fortnightly all staff webinars led by the Chief Executive and the Exec team. These have proved very popular and are likely to remain a key part of our employee engagement strategy in the future.

The Coronavirus pandemic has put a huge strain on staff, especially those working throughout, and we have placed increased emphasis on programmes to support positive employee mental health and wellbeing throughout the year.

Our annual employee survey is an opportunity for confidential feedback on all areas of the organisation and action plans are put in place to address any issues raised from these surveys.

We were pleased that despite the disruption caused by the pandemic, the headline measure of Employee Engagement as measured by the Employee Survey rose from 71% in 2019 to 79% in 2020.

Committees

Audit and Risk Committee (“ARC”)

The ARC is a committee of the Board of Trustees. The Committee met five times during the year and is currently composed of:

- The Vice Chair Marcus Holburn who acts as the Chair of this Committee.
- Three Trustees: Emma Bradley, Chris Roberts and Caleb Stevens.

The Committee: agrees the programme for Internal and External Audits; considers reports from the auditors; considers the annual Financial Statements before submission to the Board; reviews the performance of the Internal and External Auditors; advises the Board regarding the adequacy of its risk register, policy, and management of risk; reviews the full risk register on an annual basis and every quarter reviews the high level significant risks and any changes to the full risk register; and, devises and tests key measures against which the performance of the organisation can be judged.

Finance Committee (“FC”)

The FC is a committee of the Board of Trustees. The Committee met ten times during the year and is currently composed of:

- The Treasurer Graham Turnock who acts as the Chair of this Committee.
- Two Trustees: Cathryn Hayhurst and Tegryn Jones.

Report of the Trustees incorporating the Strategic Report

The Committee supports the Board in ensuring the effective financial management of the Company; provides opinion on financial sustainability of YHA's strategic plans; advises on funding strategies and risks; provides appropriate scrutiny of finance related strategic KPIs; ensures effective financial planning, budgeting and treasury management; reviews and is consulted regarding capital and other investments; and works with the Audit and Risk Committee regarding financial risk management. Since the start of the pandemic, the Finance Committee has met monthly to allow regular review of YHA's cashflow and financial plans.

Impact and Engagement Committee ("I&E")

The Impact and Engagement Committee is a Committee of the Board. The Committee met three times last year and is currently composed of:

- Simon Reeve who acts as Chair of this Committee.
- Four Trustees: Hayley Barnard, Barbara Kasumu, Hannah Paterson and Fiona Steggles.

The Impact and Engagement Committee supports the Board in maximising the impact and effectiveness of YHA's work as a charity, and its member and stakeholder engagement, through ensuring effective management of these areas. This includes oversight of impact related KPIs; the design, delivery and evaluation of youth, education and activity programmes and YHA's engagement strategy with members, volunteers, donors and partners.

People and Remuneration Committee ("PremCo")

PremCo is a committee of the Board of Trustees. The Committee met five times last year and was composed of:

- Josie Murray who acts as Chair of this Committee.
- Two Trustees: Clare Fordham and Robert Varley.

The Committee agrees the Remuneration Policy, determines the remuneration of the Executive Directors, and the remuneration of the Chief Executive in consultation with the Chair; determines the terms and conditions of employment of the Executive Directors; and determines the terms and conditions of employment of the Chief Executive in consultation with the Chair.

In setting the organisations Remuneration Policy, the Committee makes such external consultations and comparisons as may be necessary to ensure that the pay and emoluments of YHA staff are fair in value to those having similar responsibilities and circumstances in organisations in the not for profit and commercial sectors (excluding financial).

The Committee also consider strategic HR matters which impact on our financial position or our position as an employer, e.g. pensions, performance management. This year that has included plans for managing workforce at different stages of the pandemic and oversight of YHA's gender pay reporting which is available on our website. The Committee is also responsible for People risk.

Financial control and Risk Management

Trustee responsibilities statement

The Trustees (who are also directors of YHA (England and Wales) for the purposes of company law) are responsible for preparing the Report of the Trustees incorporating the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of YHA and the group and of the incoming resources and application of resources, including the income and expenditure of YHA and the group for that year.

Report of the Trustees incorporating the Strategic Report

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP (FRS 102)
- make judgments and accounting 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 YHA and the group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 YHA and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees confirm that:

- so far as each Trustee is aware, there is no relevant audit information of which the YHA auditors are unaware; and
- the Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

YHA is a leading national charity which depends on the trust and confidence of its members and beneficiaries to operate sustainably in the long term. YHA seeks to put its beneficiaries' best interests first, invests in its employees, supports the communities in which it operates and strives to generate sustainable surpluses to be reinvested into the charity.

The Trustees have acted in accordance with their duties codified in law, which include their duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in section 172(1) of the Companies Act 2006. The Board recognises that building strong relationships with our members and beneficiaries will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way.

Reserves Policy

As a charity YHA is obliged by the Charity Commission to set a policy on reserves which establishes a level appropriate for YHA.

YHA's reserves policy is set to manage unforeseen financial difficulties, and not to fund its future capital strategy. The level of reserves is set based on forecast income and expenditure and the likelihood of material risks crystallising which would not be covered by future income or insurance.

Report of the Trustees incorporating the Strategic Report

The reserves policy is set with regard to the:

- Strategic capital strategy - set by the Board within the context of a five-year time frame.
- The annual budget - set to ensure our future expenditure levels are matched to the income we receive from operating youth hostels.
- Risk management process - assesses the impact and likelihood of all risks to the YHA and the appropriate level of short-term reserves to be held.

YHA has introduced an active reserve monitoring process managed by the Audit & Risk Committee (ARC) and governed by the Trustees. The ARC assesses the impact and likelihood of uninsured risks to create an expected value, which is reduced by the assessment of mitigating controls to set the appropriate level of short-term reserves to be held. This value is formally reviewed on an annual basis with the opportunity for any material changes to be picked up within YHA's quarterly risk review process

The ARC will report if these reserves have been used and the consequent impact on the long-term strategy. In the event of a movement beyond the reserves limit the ARC would report immediately to the Board with recommendations for action.

Before the impact of COVID-19 we had assessed our maximum level of risk, including the possibility of some form of pandemic to be at £5m. Given the unprecedented scale and duration of the crisis, this proved to be an underestimate and the final impact is likely to be at least four times this amount.

The Executive and Board have developed a liquidity plan to ensure that we have enough headroom within our existing bank facilities which are monitored on a weekly basis to ensure commitments can be met when due and identifying assets which could be disposed of to provide enough scope to match the impact of any further unseen risk whether pandemic related or otherwise.

Fundraising policy

It is always our aim to provide the best possible donor experience and deliver the highest possible standards of donor care. We are registered with the Fundraising Regulator to demonstrate our commitment to achieving the highest standards in fundraising and we strive at all times to comply with the Fundraising Regulator's Code of Fundraising Practice.

We are committed to undertake our fundraising in a legal, open, honest and respectful manner by following the standards for fundraising set out in the Fundraising Regulator's Fundraising Promise. We therefore use the Fundraising Regulator logo on our fundraising materials to show that we are following these standards.

We are always committed to uphold the highest standards of practice in our fundraising and will:

- comply with all relevant law and regulation including the Charities Act 1992, the Charities (Protection and Social Investment) Act 2016, the Data Protection Act 1998, and the Fundraising Regulator's Code of Fundraising Practice and where relevant the Gambling Act 2005.
- treat the information that supporters provide to YHA in line with our Privacy Policy and never share or sell their personal information to third parties for the purpose of marketing or fundraising.
- ensure clear governance and management controls for the legal, safe and transparent raising of funds from a diverse range of sources.
- operate policy and guidance for working with supporters who are in vulnerable circumstances.
- have clear rules for when donations may be returned to donors.
- report regularly to the trustees of YHA regarding fundraising activity, including an annual summary of complaints and action taken to address these.

Report of the Trustees incorporating the Strategic Report

Investment policy

Investments acquired in accordance with the powers of the Trustees, primarily in respect of endowment funds, total £1.044 million at the end of this financial year. Close Wealth Management and Rathbone Investment Management manage the assets on YHA's behalf, with an investment strategy aimed at maximising income at an acceptable level of risk including growth of asset values.

Borrowing and financial instruments policy

YHA uses financial instruments, comprising borrowings secured against property. The main purpose of these financial instruments is to finance the working capital cycle of YHA and to finance longer-term capital needs.

The policies for managing the risks open to YHA are summarised below:

- YHA's financing and treasury policy governs the way that YHA borrows money and how it manages its interest risk.
- Working capital requirements are managed through the Revolving Credit Facility put in place with HSBC to finance network investment over the 5 years of the agreement.
- Other borrowings are designed to be appropriate for the type of asset being financed. Thus, IT equipment and software are likely to be financed over no more than five years, equipment no more than ten years and property will be financed over twenty years.

Risk management group

The Board of Trustees is ultimately responsible for risk management in YHA, setting the control framework, the risk appetite and approving major decisions affecting YHA's risk management or profile. The Board annually approves YHA's risk management plan, including the risk register, reviews the effectiveness of YHA's internal control and risk management system, and allows in its agenda a detailed review of a specific risk to be tabled at every Board meeting.

The Audit & Risk Committee (ARC) has delegated authority from the Board to review and manage risk and the organisational risk register is the key tool used to record risks within YHA. The ARC:

- reviews the risk management policy and processes annually.
- reviews and agrees on an annual basis the significant risks to which YHA is exposed.
- ensures that sufficient action is being taken to mitigate the risks.
- provides the Board of Trustees with an annual statement of assurance on risk management and internal controls and corporate governance.
- agrees specific risks to be reviewed by the Board.
- ensures that the control environment is sufficient to ensure the effective management of risk.
- monitors compliance with charity commission and corporate governance requirements.

At an operational level YHA has a risk management group under the Chair of a member of the senior management team, currently the Associate Director for Risk. This group focuses on key organisation level risk. The group is drawn from all directorates to ensure that risk management is embedded in all directorates. Individuals on the group are responsible for identifying action plans for all lower-level risks and for bringing these to the risk management group as required.

Insurance policy

YHA has insured Trustees and officers of the company against liability for wrongful acts in relation to the charitable company, as permitted under Section 532 of the Companies Act.

Report of the Trustees incorporating the Strategic Report

LEGAL AND ADMINISTRATIVE DETAILS

Bankers:

HSBC Bank plc
Level 6
71 Queen Victoria Street
LONDON
EC4V 4AY

Santander Bank
Carlton Park
Narborough
LEICESTER
LE19 0AL

Solicitors:

Browne-Jacobson
3rd Floor, No 1 Spinningfields
1 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

Russell Cooke
2 Putney Hill
LONDON
SW15 6AB

Pinsent Masons LLP
55 Colmore Row
BIRMINGHAM
B3 2FG

Auditor:

Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
1 Holly Street
SHEFFIELD
S1 2GT

Investment Fund Managers:

Close Wealth Management
10 Crown Place
Clifton Street
LONDON
EC2A 4FT

Rathbones Investment Management
George House
50 George Square
GLASGOW
G2 1EH

Report of the Trustees incorporating the Strategic Report

Internal Auditors

KPMG are the internal auditors for YHA and act as an assurance function to provide an independent and objective opinion to YHA on the design and operation of the internal control environment.

Appointment of Auditors

In accordance with S485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

In approving the Report of the Trustees, the Trustees are also approving the Strategic Report in their capacity as company directors.

ON BEHALF OF THE TRUSTEES

Margaret Hart

M Hart
Chair
10 July 2021



Independent auditor's report to the members of YHA (England and Wales)

Opinion

We have audited the financial statements of YHA (England and Wales) (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 28 February 2021, which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 28 February 2021 and of the group's and the parent charitable company's incoming resources and application of resources including, the group's and the parent 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 have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. 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 group and parent 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 are responsible for concluding on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern.

In our evaluation of the trustees' conclusions, we considered the inherent risks associated with the group's and parent charitable company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the trustees and the related disclosures and analysed how those risks might affect the group's and parent charitable company's financial resources or ability to continue operations over the going concern period.



Independent auditor's report to the members of YHA (England and Wales)

Material uncertainty related to going concern

We draw attention to the disclosure in note 2 of the financial statements, which details the factors that the directors have considered in making their going concern assessment, including the availability of additional funding from the charitable group's bankers. The uncertainty as to the future impact of the recent Covid-19 outbreak has been included as part of the directors' consideration, and they have considered the reasonably plausible impact of the outbreak on trading and cashflow forecasts.

While the directors consider the charitable group to be a going concern, the uncertainty around the magnitude of the impact of the outbreak indicates the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

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. 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.

Opinion 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 Report of the Trustees incorporating the Strategic Report prepared for the purposes of company law, included in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Report of the Trustees incorporating the Strategic Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees incorporating the Strategic Report included in the Report of the Trustees.



Independent auditor's report to the members of YHA (England and Wales)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent charitable company, or
- returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's 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.

Responsibilities of trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement set out on pages 17 and 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 group and the parent 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 group or parent 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.

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.



Independent auditor's report to the members of YHA (England and Wales)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The Company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur; Charities SORP (FRS 102), FRS 102, Charities Act 2011, Data Protection Act 2018 and the Charity Code of Governance.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes and legal expenses.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by discussions with management to understand where management considered there is a susceptibility to fraud.
- Audit procedures performed by the engagement team included:
 - evaluation of the controls established to address the risks related to irregularities and fraud;
 - testing manual journal entries, in particular journal entries determined to be large or relating to unusual transactions based on our understanding of the business;
 - identifying and testing related party transactions;
 - completion of audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the industry in which the client operates
 - understanding of the legal and regulatory requirements specific to the entity.
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.



Independent auditor's report to the members of YHA (England and Wales)

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.

Grant Thornton UK LLP

Peter Edwards
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
10 July 2021

Consolidated statement of financial activities (incorporating the consolidated income and expenditure account)

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2021 £'000	Total 2020 £'000
Income						
Income from charitable activities	6	11,481	-	-	11,481	47,064
Income from trading activities (YHA Trading Limited)	14	2,023	-	-	2,023	6,893
Donations, gifts and legacies		1,400	398	-	1,798	1,575
Grants receivable	5	-	2,506	-	2,506	314
Coronavirus Job Retention Scheme payments receivable		-	8,225	-	8,225	-
Investment and similar income	7	-	20	-	20	27
Total income before net gain on disposal of tangible fixed assets		14,904	11,149	-	26,053	55,873
Net gain on disposal of tangible fixed assets		210	-	-	210	-
Total income		15,114	11,149	-	26,263	55,873
Expenditure						
Costs of charitable activities	9	27,656	10,839	-	38,495	51,458
Costs of trading activities (YHA Trading Limited)	9	1,829	-	-	1,829	5,314
Fundraising	9	301	-	-	301	384
Total expenditure		29,786	10,839	-	40,625	57,156
Unrealised gains/(losses) on investments	24	-	-	18	18	(11)
Realised gains on investments	24	-	-	66	66	11
Net income/(expenditure) before tax and refinancing costs		(14,672)	310	84	(14,278)	(1,283)
Tax on commercial activities		-	-	-	-	-
Net income/(expenditure)*		(14,672)	310	84	(14,278)	(1,283)
Transfer between funds	25	14	(14)	-	-	-
Net income/(expenditure) after transfers		(14,658)	296	84	(14,278)	(1,283)
Other recognised gains and losses						
Actuarial (loss) on defined benefit pension scheme	23	(678)	-	-	(678)	(189)
Actuarial (losses) on multi-employer pension scheme	23	(15)	-	-	(15)	(36)
Net movement in funds		(15,351)	296	84	(14,971)	(1,508)
Fund balances brought forward at 1 March 2020		36,133	4,049	960	41,142	42,650
Fund balances carried forward at 28 February 2021	26	20,782	4,345	1,044	26,171	41,142

All income was from continuing operations.

*Information up to and including net income/expenditure represents the information required by the Companies Act 2006.

The accompanying accounting policies and notes form an integral part of these financial statements.

Balance sheets

	Note	Group		Company	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Fixed assets					
Tangible assets	12	94,518	98,652	94,518	98,652
Intangible fixed assets	13	626	840	626	840
Investments	14	1,044	960	1,045	961
		<u>96,188</u>	<u>100,452</u>	<u>96,189</u>	<u>100,453</u>
Current assets					
Stocks	15	94	351	94	351
Debtors	16	2,152	2,356	2,152	2,356
Cash at bank and in hand	28	4,134	2,558	4,134	2,558
		<u>6,380</u>	<u>5,265</u>	<u>6,380</u>	<u>5,265</u>
Creditors: amounts falling due within one year	17	<u>(59,082)</u>	<u>(12,586)</u>	<u>(59,093)</u>	<u>(13,981)</u>
Net current liabilities		<u>(52,702)</u>	<u>(7,321)</u>	<u>(52,713)</u>	<u>(8,716)</u>
Total assets less current liabilities		43,486	93,131	43,476	91,737
Creditors: amounts falling due after more than one year	19	<u>(8,814)</u>	<u>(43,720)</u>	<u>(8,814)</u>	<u>(43,720)</u>
Provisions for liabilities	20	<u>(1,233)</u>	<u>(1,116)</u>	<u>(1,233)</u>	<u>(1,116)</u>
Net assets excluding pension liability		33,439	48,295	33,429	46,901
Multi-employer pension scheme liability	23	<u>(1,866)</u>	<u>(2,278)</u>	<u>(1,866)</u>	<u>(2,278)</u>
Defined benefit pension scheme liability	23	<u>(5,402)</u>	<u>(4,875)</u>	<u>(5,402)</u>	<u>(4,875)</u>
Net assets		<u>26,171</u>	<u>41,142</u>	<u>26,161</u>	<u>39,748</u>
Funds					
Endowments	24	1,044	960	1,045	961
Restricted funds	25	4,345	4,049	4,345	4,049
		<u>5,389</u>	<u>5,009</u>	<u>5,390</u>	<u>5,010</u>
Unrestricted funds excluding pension liability		3,854	19,090	3,843	17,695
Revaluation reserve		24,196	24,196	24,196	24,196
Pension reserve	23	<u>(7,268)</u>	<u>(7,153)</u>	<u>(7,268)</u>	<u>(7,153)</u>
Total unrestricted funds		<u>20,782</u>	<u>36,133</u>	<u>20,771</u>	<u>34,738</u>
Total charity funds	26	<u>26,171</u>	<u>41,142</u>	<u>26,161</u>	<u>39,748</u>

The financial statements were approved by the Board of Trustees on 10 July 2021.

M Hart

Margaret Hart

Trustees

M Holburn

Marcus Holburn

Company registration number: 282555

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Net cash provided by operating activities	27	<u>(15,227)</u>	<u>5,169</u>
Cash flows from investing activities			
Investment Income (including interest received)	7	20	26
Sale of tangible fixed assets		379	-
Purchase of tangible and intangible fixed assets		<u>(1,226)</u>	<u>(10,210)</u>
Net cash used in investing activities		<u>(827)</u>	<u>(10,184)</u>
Cash flows from financing activities			
Repayment of borrowings		(19)	(53)
Capital element of finance lease rentals		(199)	(197)
Cash receipts from borrowings		19,219	6,000
Interest paid	8	<u>(1,371)</u>	<u>(1,438)</u>
Net cash provided/ (used in) by financing activities		<u>17,630</u>	<u>4,312</u>
Change in cash and cash equivalents in the reporting period		1,576	(703)
Cash and cash equivalents at the beginning of the reporting period		2,558	3,261
Cash and cash equivalents at the end of the reporting period	28	<u>4,134</u>	<u>2,558</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

1 Company information

YHA is a company limited by Guarantee (company number 282555). The registered office is Trevelyan House, Dimple Road, Matlock, Derbyshire, DE4 3YH.

2 Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards including Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

YHA (England and Wales) meets the definition of a public benefit entity under FRS 102, and applied the sections in FRS 102 as applicable.

The financial statements are presented in Sterling £'000.

Going concern

These financial statements have been prepared on a going concern basis taking note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is an appropriate basis of preparation of the financial statements.

The Trustees have reviewed forecasts to July 2022 as well as our longer-term projections to February 2024. Worst case scenarios were modelled based on likely levels of pandemic restrictions and, taking these into account, it was concluded that the Charity will be able to meet its liabilities as they fall due over the period.

Notwithstanding this positive indication of the financial stability of the charity and the progress made on vaccinations there remains a scenario in which there are further prolonged Covid-19 lockdowns. It is also possible, though unlikely, that HSBC will withdraw Credit approval before a formal agreement is signed. In either of these circumstance that would represent a material uncertainty which could cast doubt on the company's ability to continue as a going concern.

Nonetheless the Trustees expect that YHA has sufficient resources to enable it to continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustment that would arise if the going concern basis of preparation was not considered appropriate.

Basis of consolidation

The group financial statements consolidate those of YHA and of its subsidiary undertaking (see note 14). Subsidiaries are defined as entities where the parent charity has control and derives financial benefit and are consolidated on a line-by-line basis.

3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The items in the financial statements where these judgements, estimates and assumptions have been made include:

Notes to the financial statements

3 Significant judgements and estimates (continued)

Retirement benefit schemes

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth and mortality. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent periods. Note 23 provides information on the assumptions used in these financial statements.

The Group also participates in a multi-employer defined benefit scheme, which is accounted for as a defined contribution scheme, administered by The Pensions Trust, who are responsible for the above assumptions in relation to determining the total liability of the overall scheme. As a participating employer, the YHA's share and contribution to the liabilities of the scheme is reviewed and agreed by the Trustees every 3 years. Under the provisions of FRS102 this liability is included in these statements on a discounted net present value basis. Further details on the accounting policies relating to the multi-employer defined benefit scheme are provided in note 4.

Provisions

These financial statements include provisions for liabilities as at 28 February 2019 that have arisen as a result of a past event, and that are judged probable to materialise at a future date. Where precise factual valuations of the liability are not available, judgement has been used to estimate the size and probability of the liability. Specifically, these provisions include estimates of dilapidation liabilities under property leasehold contracts and are stated on a net present value basis.

Assets under Construction

These represent spend and work-in-progress on partially complete assets that are not in productive use in the business. This will principally be (but not exclusively) major refurbishment and development projects in YHA's estate portfolio and business systems/IT infrastructure projects. Where projects stretch over more than one year the values are reviewed to ensure that the spend still represents a tangible or intangible asset.

Grants

The recognition of grants and capital contributions in these financial statements involves judgements as to whether performance or other relevant entitlement conditions have been met. The recognition of grants in restricted funds involves a judgement as to the Useful Economic Life of the asset to which it relates.

4 Principal accounting policies

Income

Income generated from the operation of youth hostels represents the fair value of the amount receivable by YHA for goods supplied and services provided, excluding value added tax and net of trade discounts. Consequently, the income due from a particular guest is recognised when that guest stays with YHA. Payment received from guests in advance of their stay is recorded as deferred income (see note 18). Membership subscriptions are recognised when received.

Where hostels have been leased to organisations to provide accommodation for charitable purpose these amounts have been recognised as income.

Notes to the financial statements

4 Principal accounting policies (continued)

Income from YHA Trading Limited represents commercial goods supplied and services provided by that YHA company to its customers and income is recognised when the goods or services are delivered. Donations, gifts and legacies are recognised in the statement of financial activities when it is probable that the income will be received, and all entitlement conditions will be met.

The Charity carries out work for government bodies and income under these contracts is recognised once milestones attached to income have been met. Incoming resources on government contracts are included in the statement of financial activities when the Charity is entitled to the income and the amount can be quantified with reasonable accuracy.

Grants

Revenue grants are credited as incoming resources when they are receivable provided conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable.

Income from investments

Investment income is recognised when receivable.

Endowments

Endowment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains and losses are retained within the endowment in the balance sheet.

Restricted permanent endowment

This relates to funds where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Restricted expendable endowment

This relates to funds which were permanent endowments but given the small scale of the specific individual funds, agreement was received from the Charities Commission that these could be spent in line with the original objective of each fund.

Fund accounting

Restricted funds are those for which specified purposes were laid down by the donor or grant-giving body. Expenditure for those purposes is charged to the appropriate fund.

Unrestricted funds are donations and other income received or generated for expenditure on the general objectives of YHA.

When grants and donations are received for a specific purpose involving capital investment, the cash will be recorded against a restricted fund. When the investment has been made, the relevant capital asset will be recorded against the relevant fund, and depreciation of the asset charged against the fund. Once any restrictions on the use of the asset have expired, the asset will be transferred from the restricted fund to YHA's unrestricted funds.

Tangible and intangible fixed assets

Fixed asset accounting policy

Tangible and intangible fixed assets are stated at cost, net of depreciation. No depreciation is charged during the period of development or construction.

Notes to the financial statements

4 Principal accounting policies (continued)

Depreciation is calculated to write down the cost or estimated residual value of all tangible fixed assets over their expected useful lives. All depreciation is on a straight-line basis, and assets are amortised as follows:

Freehold properties	:	land not amortised
Freehold properties	:	buildings superstructure up to 50 years
Freehold properties	:	buildings sub-structure / other between 10 and 30 years
Leasehold properties	:	long term leases: market value over length of lease
Leasehold properties	:	building shorter of economic life or length of lease
Fixtures & Fittings	:	between 3 and 15 years

Assets under construction represent spend and work-in-progress on partially complete assets that are not in productive use in the business. This will principally be (but not exclusively) major refurbishment and development projects in YHA's estate portfolio and business systems/IT infrastructure projects.

Assets under construction are carried at cost and are not depreciated until they come into use and are capitalised in the asset register. Where the date of capitalisation is later than the date of productive use, a retrospective depreciation adjustment is made to correct Net Book Value (NBV). Amounts totalling £242k were reclassified in the year as shown in note 12.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss.

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Investments

Assets held for investment purposes are measured at fair value. Changes in fair value are recognised in the income and expenditure accounts. Fair value is estimated using value at the balance sheet date.

Net gains and losses on revaluations and disposals during the year are included in the statement of financial activities.

Expenditure

Expenditure, which is charged on an accruals basis, is allocated between:

- Expenditure incurred directly in the fulfilment of YHA's objectives (direct charitable). This includes head office support costs which are directly attributed to the operation of youth hostels.
- Expenditure incurred directly in the effort to raise voluntary contributions (membership, fundraising and publicity).
- Expenditure incurred in the governance of YHA. This includes internal and external audit costs, chief executive costs and similar governance costs.

Redundancy and termination payments

All redundancy and termination payments, including ex-gratia payments and amounts in lieu of notice are charged or accrued as incurred.

Notes to the financial statements

4 Principal accounting policies (continued)

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions.

Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the SOFA in the period it arises.

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employers are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Financial instruments

Financial liabilities are classified according to the substance of their governing contractual arrangements.

Where the contractual obligations of financial instruments are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the statement of financial activities. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Financial liabilities are initially recognised at fair value then subsequently at amortised cost using the effective interest method.

Stocks

Stocks are stated at the lower of cost using the first in, first out method and net realisable value.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of

Notes to the financial statements

4 Principal accounting policies (continued)

the liability. Finance charges are deducted in measuring income and expenditure. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the SOFA on a straight-line basis over the lease term, unless the rental payments are structure to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

Retirement benefits

Defined contribution group personal pension schemes

Contributions payable to the schemes in respect of each accounting period are included in the statement of financial activities in that period.

Defined benefit pension scheme (closed)

The scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the attained age method on the basis of triennial valuations and are discounted at appropriate high-quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus would only be recognised to the extent that it is recoverable by the group.

The current service cost and costs from settlements and curtailments are included in the statement of financial activities. Past service costs are spread over the period until the benefit increases vest. The difference between interest on the scheme liabilities and the expected return on scheme assets is included in interest payable or investment income as appropriate. Actuarial gains and losses are reported in the consolidated statement of financial activities.

Multi-employer defined benefit scheme

YHA participates in a multi-employer scheme, administered by The Pensions Trust, which provides benefits for 854 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for YHA to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, YHA accounts for the scheme as a defined contribution scheme. The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This actuarial valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

From 1 April 2016 to 31 March 2025: £12.95m per annum (payable monthly and increasing by 3% each year on 1st April). The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Notes to the financial statements

4 Principal accounting policies (continued)

Where the scheme is in deficit and where YHA has agreed to a deficit funding arrangement, YHA recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Gift aid payment to parent charity

The company pays all its taxable profits for the year to its parent charity under the gift aid scheme. These gift aid payments are recognised as distributions to owners in equity within retained earnings.

At the reporting date the Board had indicated its intention to pay the taxable profits to the parent charity in respect of the reporting period. The payment is expected to be made within 9 months of the end of the reporting date.

The company previously recognised gift aid payments in the income statement in the year that profits arose. The company has changed its accounting policy as a result of The Financial Reporting Council clarifying the accounting treatment for such payments in its triennial review of FRS 102.

The change in accounting policy for gift aid payments results in the company recognising a taxation charge on its profits for the year. However, the application of the exception under paragraph 29.14A of FRS 102 provides relief in respect of the accounting for the tax charge. This results in an overall £nil charge for tax in the income statement. This exception is only applicable as it is probable that the gift aid payment will be made by the company to the parent charity within 9 months of the reporting date.

5 Grants and contracts

	2021 Restricted Funds (Capital) £'000	2021 Restricted Funds (Other) £'000	Total 2021 £'000	Total 2020 £'000
Covid related grants	-	2,421	2,421	-
Other grants	2	83	85	314
Grants receivable in the year	<u>2</u>	<u>2,504</u>	<u>2,506</u>	<u>314</u>

All grants receivable in the year related to restricted funds (see note 25).

During the year grants totalling £2,421,000 (2020: NIL) were received to support the charity through the Covid pandemic including of which £1,464,000 related to business and hospitality support grants received from Local Authorities.

This funding was supplemented by support from the National Lottery Cultural Recovery Fund with a grant award of £866,000 with £780,000 being received in the year. Other grants were received from the London Community Response Fund of £45,000, Heritage Emergency Fund of £50,000, Wales Third Sector Resilience Fund of £56,000, and the Wales ERF Sector Specific Grant of £25,000. All grants were gratefully received in the year, and these have really helped to provide much needed financial support in these very challenging times.

Other grants received in the year amounted to £85,000.

Notes to the financial statements

6 Charitable income

	2021 £'000	2020 £'000
Income from operating youth hostels	10,598	45,956
Membership income received directly by the group	883	1,108
Total income from operating youth hostels	<u>11,481</u>	<u>47,064</u>

7 Investment income

	2021 £'000	2020 £'000
Listed stocks and shares	20	26
Cash and deposits	-	1
	<u>20</u>	<u>27</u>

8 Interest and financing costs

	2021 £'000	2020 £'000
Net pension cost	83	128
On bank loans, overdrafts and other loans	1,296	1,269
Financing costs amortised	70	162
Finance charges in respect of finance leases	5	7
	<u>1,454</u>	<u>1,566</u>

Interest payable is included within other direct costs (see note 9).

9 Total expenditure

Due to the structure of YHA it is considered that any allocation of support costs from costs of operating youth hostels would be immaterial.

	Direct Staff Costs £'000	Other Direct Costs £'000	Deprec'n £'000	Total 2021 £'000	Total 2020 £'000
Costs of Operating Youth Hostels	19,882	13,306	5,163	38,351	51,309
Costs of Operating YHA Trading Ltd	-	1,829	-	1,829	5,314
Other Fundraising Costs	200	101	-	301	384
Other costs - Governance Costs	-	144	-	144	149
Total expenditure	<u>20,082</u>	<u>15,380</u>	<u>5,163</u>	<u>40,625</u>	<u>57,156</u>

Notes to the financial statements

	Total 2021 £'000	Total 2020 £'000
Depreciation comprises:		
Depreciation on owned tangible and intangible assets	5,148	5,288
Depreciation on tangible assets held under finance lease	15	121
	<u>5,163</u>	<u>5,409</u>
Other direct costs comprise:		
Repairs and maintenance of buildings – ongoing	2,540	4,078
Repairs and maintenance of buildings - dilapidation provision	100	100
Fuel, heat & light	1,432	2,160
Food and beverage costs	838	5,108
Activity & transport providers	77	733
Restructuring costs (including redundancy)	1,167	80
Travel	426	1,153
Communication costs	459	450
Cleaning and laundry	822	3,028
Interest payable (note 8)	1,454	1,566
Marketing and Publications	385	859
Insurance	498	446
Auditors' Remuneration – audit	48	36
Auditors' Remuneration - non-audit services taxation (inc.IXBRL)	5	1
Operating lease rentals - land and buildings	2,011	2,124
Operating lease rentals - fixtures & fittings	492	678
Other direct costs	2,626	3,876
	<u>15,380</u>	<u>26,476</u>

10 Trustees and employees

All Directors are Trustees and all Trustees are Directors.

	Group	
Staff costs during the year were as follows:	2021 £'000	2020 £'000
Wages and salaries	17,061	21,881
Social security costs	1,292	1,560
Other pension costs	909	949
Redundancy costs	1,167	80
	<u>20,429</u>	<u>24,470</u>

The average number of employees of YHA during the year was 977 (2020: 1,272).

The full-time equivalent number of employees was 632 (2020: 785).

The Chief Executive is the highest paid employee and is not a Trustee of the organisation. His annual salary in 2020/21 was £128,174 per annum (2020: £128,174). The Board of Trustees neither received nor waived any emoluments during the year (2020: £nil).

Notes to the financial statements

The number of other staff whose total emoluments for the year exceeded £60,000 was as follows:

	2021	2020
£60,000 - £69,999	7	1
£70,000 - £79,999	-	-
£80,000 - £89,999	1	-
£90,000 - £99,999	2	2
£100,000 - £109,999	2	2
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	<u>1</u>	<u>1</u>

YHA made payments totalling £46,122 (2020: £24,032) into defined contribution schemes for 13 (2020: 6) of these employees.

Out of pocket expenses were reimbursed to Trustees as follows:

	2021 Number	2020 Number	2021 £'000	2020 £'000
Travel and attendance at meetings	<u>5</u>	<u>12</u>	<u>1</u>	<u>6</u>

During the year, no goods were purchased from companies in which Trustees held an interest. No amounts were owing to such companies at the end of the financial year.

The key management personnel of the parent charity, the Trust, comprised the Trustees, the Chief Executive Officer, and increased from four to five other Executive Directors for most of the year, reducing down again to four from December 2020. The total employee benefits of these key management personnel of the YHA were £660,060 (2020: £533,716).

The remuneration of the key management personal is determined by the Board's Remunerations Committee. In determining this, the Committee makes use of external consultations and comparisons to ensure that the pay and emoluments of YHA staff are fair in value to those having similar responsibilities and circumstances in organisations in the not for profit and commercial sectors. Salaries are set at the lower quartile of recognised industry wide benchmark surveys.

The Chief Executive Officer and other Executive Directors repaid their cost-of-living increase granted by the Remuneration Committee before the covid crisis and included within the March 2021 payroll. In addition, the senior team, including the six newly appointed Associate Directors, agreed a voluntary 10% salary cut for a three-month period over the winter months. The appointment of these six existing team members into their new roles, proved invaluable in dealing with the complexities of managing through the COVID-19 crisis.

The Chief Executive and one other Executive Director also used payroll giving to make charitable donations to the YHA totalling £34,909 in the year.

Notes to the financial statements

11 Charitable company results

The charitable company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income and expenditure account in these financial statements. The results of YHA are summarised below:

	2021 £'000	2020 £'000
Total income	24,240	48,979
Total expenditure:	(38,796)	(51,842)
Net (expenditure)	(14,556)	(2,863)
Net investments gains	84	-
Net (expenditure)	(14,472)	(2,863)

During the year the charitable company received a gift aid donation amounting to £1,579,000 (2020: £1,354,000) from its trading subsidiary.

12 Tangible fixed assets (group and company)

	Freehold L&B £'000	Long Leasehold L&B £'000	Short Leasehold L&B £'000	Fixtures, Fitting & equipment £'000	Assets under construction £'000	Total £'000
Cost						
At 1 March 2020	82,301	31,124	21,208	19,608	5,099	159,340
Reclassifications	-	-	-	-	(242)	(242)
Transfers	3,176	459	46	422	(4,103)	-
Additions	153	553	88	91	271	1,156
Disposals	-	(283)	-	(49)	-	(332)
At 28 February 2021	<u>85,630</u>	<u>31,853</u>	<u>21,342</u>	<u>20,072</u>	<u>1,025</u>	<u>159,922</u>
Depreciation						
At 1 March 2020	23,618	9,037	12,962	15,071	-	60,688
Provided in the year	2,191	954	768	966	-	4,879
Disposals	-	(126)	-	(37)	-	(163)
At 28 February 2021	<u>25,809</u>	<u>9,865</u>	<u>13,730</u>	<u>16,000</u>	<u>-</u>	<u>65,404</u>
Net book amount						
At 28 February 2021	<u>59,821</u>	<u>21,988</u>	<u>7,612</u>	<u>4,072</u>	<u>1,025</u>	<u>94,518</u>
At 29 February 2020	<u>58,683</u>	<u>22,087</u>	<u>8,246</u>	<u>4,537</u>	<u>5,099</u>	<u>98,652</u>

All tangible fixed assets were used for charitable purposes.

The net book amounts stated above include fixtures, fittings and equipment held under finance leases and similar hire purchase contracts of £NIL (2020: NIL) and freehold property held under finance leases and similar hire purchase contracts of £970,000 (2020: £985,000).

Depreciation of assets held under finance leases and similar hire purchase contracts was £NIL (2020: £106,000) on fixtures, fittings and equipment and £15,000 (2019: £15,000) on freehold property.

Land values were increased on transition to FRS 102 in 2016 to reflect fair market value. A post year-end review of these values based on valuations received as part of the refinancing exercise in 2017 found no reason to amend these values.

Notes to the financial statements

13 Intangible fixed assets (group and company)

	Fixtures, Fitting & equipment £'000	Assets under construction £'000	Total £'000
Cost			
At 1 March 2020	1,057	111	1,168
Transfer	94	(94)	-
Additions	-	70	70
At 28 February 2021	<u>1,151</u>	<u>87</u>	<u>1,238</u>
Depreciation			
At 1 March 2020	328	-	328
Provided in the year	284	-	284
At 28 February 2021	<u>612</u>	<u>-</u>	<u>612</u>
Net book amount			
At 28 February 2021	<u>539</u>	<u>87</u>	<u>626</u>
At 29 February 2020	<u>729</u>	<u>111</u>	<u>840</u>

14 Fixed asset investments

Total fixed asset investments comprise:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Interest in group undertakings	-	-	1	1
Other fixed asset investments	<u>1,044</u>	<u>960</u>	<u>1,044</u>	<u>960</u>
Market value at 28 February 2021	<u>1,044</u>	<u>960</u>	<u>1,045</u>	<u>961</u>

Interests in group undertaking

At 28 February 2021 the charitable company held 100% of the allotted share capital of the following:

	Country of incorporation	Class of share capital held	Company number	Capital and reserves £	Result for the financial period £
YHA Trading Limited	England and Wales	Ordinary shares	05373368	100	194,014
					£'000
YHA Trading Limited					
Turnover					2,023
Expenditure					<u>(1,829)</u>
Result for the period before tax					<u>194</u>

Notes to the financial statements

Other fixed asset investments

	Group and Company £'000
Market value as at 1 March 2020	960
Additions	254
Disposals	(245)
Realised gain	17
Unrealised loss	58
Market value at 28 February 2021	<u>1,044</u>

At 28 February 2021 the other fixed asset investments were held as follows:

	2021 £'000	2020 £'000
Listed stocks and shares	1,014	912
Cash	<u>30</u>	<u>48</u>
Market value at 28 February 2021	<u>1,044</u>	<u>960</u>

At 28 February 2021 the following investments represented more than 5% of the portfolio by market value:

	Percentage %	Value £'000
Close Select Fixed Income Inc	<u>5.7</u>	<u>60</u>

15 Stocks

Group and Company

	2021 £'000	2020 £'000
Goods for resale	<u>94</u>	<u>351</u>

16 Debtors

Group and Company

	2021 £'000	2020 £'000
Trade debtors	171	360
Prepayments and accrued income	407	1,004
Other debtors	1,574	992
	<u>2,152</u>	<u>2,356</u>

Notes to the financial statements

17 Creditors: amounts falling due within one year

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank loans	52,371	-	52,371	-
Other loans	3	19	3	19
Trade creditors	1,212	2,481	1,212	2,481
Amounts due to group undertakings	-	-	11	1,396
Social security and other taxes	423	1,570	423	1,570
Other creditors	895	216	895	216
Accruals	1,907	1,992	1,907	1,991
Deferred income (note 18)	2,153	6,108	2,153	6,108
Amounts due under finance leases	118	200	118	200
	<u>59,082</u>	<u>12,586</u>	<u>59,093</u>	<u>13,981</u>

18 Deferred income

Group and Company

	2021 £'000	2020 £'000
At 1 March 2020	9,207	9,111
Released during year	(9,207)	(9,111)
Deferred during year	3,551	9,207
At 28 February 2021	<u>3,551</u>	<u>9,207</u>

The deferred income consists of:

Advance bookings	3,459	8,984
Un-allocated cash receipts	92	223
	<u>3,551</u>	<u>9,207</u>
Creditors: amounts falling due within one year	2,153	6,108
Creditors: amounts falling due after more than one year	1,398	3,099
	<u>3,551</u>	<u>9,207</u>

19 Creditors: amounts falling due after more than one year

Group and Company

	2021 £'000	2020 £'000
Bank Loans	7,075	40,174
Other loans	19	3
Amounts due under finance leases	253	370
Deferred income	1,398	3,099
Other amounts	69	74
	<u>8,814</u>	<u>43,720</u>

Notes to the financial statements

20 Provision for liabilities

	General provisions £'000	Dilapidation provision £'000	Total provisions £'000
Balance at 1 March 2020	42	1,074	1,116
Released during the year	(42)	-	(42)
Arising in the year	59	100	159
Balance at 28 February 2021	<u>59</u>	<u>1,174</u>	<u>1,233</u>

The general provision includes the holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward.

The dilapidations provision represents obligations for rented properties which are due for renewal in the next 3 years. £854,000 of the provision (2020: £804,000) relates to YHA London St Pauls.

21 Borrowings

Borrowings are repayable as follows:

Group and Company 2021	Within one year £'000	After one year and within two years £'000	After two years and within five years £'000	After five years £'000	Total £'000
Bank loans	52,371	7,075	-	-	59,446
Other loans	3	19	-	-	22
Finance leases	118	123	130	-	371
Total Borrowing	<u>52,492</u>	<u>7,217</u>	<u>130</u>	<u>-</u>	<u>59,839</u>
Cash at bank and in hand					<u>(4,134)</u>
Net Borrowings					<u>55,705</u>
Group and Company 2020	Within one year £'000	After one year and within two years £'000	After two years and within five years £'000	After five years £'000	Total £'000
Bank loans	-	40,174	-	-	40,174
Other loans	19	3	-	-	22
Finance leases	200	118	252	-	570
Total Borrowing	<u>219</u>	<u>40,295</u>	<u>252</u>	<u>-</u>	<u>40,766</u>
Cash at bank and in hand					<u>(2,558)</u>
Net Borrowings					<u>38,208</u>

The Bank Loans are secured by fixed charges over certain properties of YHA and a floating charge over all the assets of YHA. Interest (excluding margin) is charged at both fixed and variable rates between 0.026% and 0.07%.

Notes to the financial statements

22 Financial instruments

Group

	2021 £'000	2020 £'000
Financial assets measured at amortised cost		
Trade debtors	171	360
Other debtors	1,574	992
	<u>1,745</u>	<u>1,352</u>
	2021 £'000	2020 £'000
Financial liabilities measured at amortised cost		
Bank loans	59,446	40,174
Other loans	22	22
Trade creditors	1,212	2,481
Accruals	1,907	1,992
Amounts due under finance leases	371	200
	<u>62,958</u>	<u>44,869</u>

23 Retirement benefits

Group and company

Historically YHA has operated a number of different Pensions Schemes:

A final salary defined benefit scheme administered by the Pensions Trust. This scheme is now closed but the residual liabilities of this scheme are disclosed within our accounts in line with FRS17 definitions.

YHA employees also had the opportunity to join the Pensions Trust Growth Plan. This is a multi-employer scheme which has progressed through four versions (or Series):

Although set up as defined contribution schemes, because of the guaranteed benefits they offered, Series 1 & 2 have subsequently been deemed to be defined benefit schemes. Series 3 which carried a guarantee that the value of investments would not fall, has also now be re-classified as a defined benefit scheme. Only Series 4 can be classified as a defined contribution scheme. Although Series 1 to 3 are defined benefit schemes as defined within FRS17, YHA is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the contributions have been accounted for as if they were defined contribution schemes.

YHA operates a defined contribution scheme administered by Scottish Widows as well as the auto enrolment pension scheme for all new employees (and for those existing employees who were not members of either the Growth Plan or the defined contribution scheme). All auto enrolment contributions are paid into the Peoples Pension administered by B&CE.

Defined benefit pension scheme

YHA operated a defined benefit pension scheme for the benefit of staff. The assets of the scheme are administered by Trustees in funds independent from those of YHA and its subsidiary undertaking.

Pension costs are assessed, on a triennial basis and in accordance with the advice of a qualified actuary using the projected unit method. The assumptions, which have had the most significant effect on the results of this year's valuation are those relating to the assumed discount rate used to value the scheme's liabilities, the rate of return on investments and the rates of increase in salaries and pensions.

In order to minimise future liabilities, the scheme was closed to new entrants at 31 December 2002, and to future accrual from 31 December 2011.

Notes to the financial statements

A full actuarial valuation was carried out at September 2017, which showed that the value of those assets was sufficient to cover 76% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Pension cost

The charge for the year was as follows:

	2021 £'000	2020 £'000
Defined benefit scheme – expenses	93	92
Defined contribution pension schemes	450	499
Multi-employer defined benefit scheme	459	450
	<u>1,002</u>	<u>1,041</u>

Included within the multi-employer defined benefit scheme contributions above are amounts of £341,724 (2020: £331,391) relating to additional contributions as part of the recovery plan agreed with the Pension Trust.

The above charge is exclusive of top up contributions for the final salary pension scheme of £447,634 (2020: £453,006).

In accordance with FRS 102 the net pension liability of the defined benefit scheme is included on the balance sheet of YHA. The most recent actuarial valuation of the scheme has been updated by an independent qualified actuary, taking account of the requirements of FRS102 to assess the liabilities of the scheme at 28 February 2021. Scheme assets are stated at their market value.

The principal assumptions used by the actuary were:

	2021	2020	2019
Inflation CPI	2.9%	1.9%	2.2%
Rate of increase in salaries	3.2%	3.9%	4.2%
Rate of increase of pensions	2.9%	2.0%	2.3%
Rate of increase for deferred pensions	3.2%	2.9%	3.2%
Discount rate	2.1%	1.8%	2.7%

The post-retirement mortality assumptions used to value the liability at 28 February 2021 is based on the SAPS table S2PXA (all pensioners – Pensions Amounts) with a scaling factor of 0% (pre-retirement) and 114% (post-retirement) projected using CMI-2020 improvements with a 1.5% pa long term improvement rate for males and a 1.25% long term improvement rate for females.

The life expectancy of a male member reaching age 65 in 2041 is projected to be 22.8 years (2020: 23.6 years) compared to 21.2 years (2020 22.3 years) for someone reaching 65 in 2021. The life expectancy of a female member reaching age 65 in 2041 is projected to be 25.1 years (2020: 25.3 years) compared to 23.6 years (2020: 24.0 years) for someone reaching 65 in 2021.

Notes to the financial statements

The split of assets in the scheme and the expected long-term rates of return were:

	2021 Value £'000	2020 Value £'000	2019 Value £'000
Equities	2,188	2,357	4,246
Bonds	7,027	6,053	2,294
Property	1,071	1,056	1,272
LDI	6,359	7,524	7,937
Other	6,963	6,373	4,585
Total market value of assets	<u>23,608</u>	<u>23,363</u>	<u>20,334</u>
Present value of scheme liabilities	<u>(29,010)</u>	<u>(28,238)</u>	<u>(25,229)</u>
Net pension liability	<u>(5,402)</u>	<u>(4,875)</u>	<u>(4,895)</u>

The rate of return for 2021 is equal to 3.7% (2020: 3.7%). Under FRS 102 the rate of return is not split between the assets of the scheme.

The movement in the deficit in the year, included in the financial statements, was as follows:

	2021 £'000	2020 £'000
Contributions	93	92
Additional contributions	232	331
Net contributions less expenses of the scheme	325	423
Expected return on pension scheme assets	(91)	(86)
Interest on pension scheme liability	406	540
Actuarial gain/(loss) (see below)	(489)	(668)
Deficit in scheme at beginning of year	151	209
Deficit in scheme at end of year	(678)	(189)
Actual return less expected return on pension scheme assets	(527)	20
Experience gains and losses arising on the scheme liabilities	(4,875)	(4,895)
Changes in the assumptions underlying the present value of the scheme liabilities	(5,402)	(4,875)
Actuarial gain/(loss)	159	3,173
	(345)	34
	(492)	(3,396)
	(678)	(189)

The net of the expected returns on pension scheme assets and interest on pension scheme liabilities of £83,000 (2020: £128,000) is shown in interest payable.

Changes in the present value of the defined benefit obligation are as follows:

	2021 £'000	2020 £'000
Opening defined benefit obligation at 1 March	28,238	25,229
Interest cost	489	668
Actuarial losses	837	3,362
Benefits paid	(554)	(1,021)
Closing defined benefit obligation at 28 February	<u>29,010</u>	<u>28,238</u>

Notes to the financial statements

Changes in the fair value of plan assets are as follows:

	2021 £'000	2020 £'000
Opening fair value of scheme assets at 1 March	23,363	20,334
Expected return	406	540
Expenses	(91)	(86)
Actuarial gains	159	3,173
Employer contributions	325	423
Benefits paid	(554)	(1,021)
Closing fair value of scheme assets at 28 February	<u>23,608</u>	<u>23,363</u>

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Fair value of scheme assets at 28 February	23,608	23,363	20,334	20,496	20,383
Present value of defined benefit obligation at 28 February	(29,010)	(28,238)	(25,229)	(25,457)	(27,441)
Deficit in the scheme	(5,402)	(4,875)	(4,895)	(4,961)	(7,058)
Experience adjustments on scheme assets	159	3,173	(276)	197	3,064
Experience adjustments on scheme liabilities	(345)	34	191	157	370

On 27th May 2021 TPT advised YHA that it has recently been brought to the attention of the Trustee that changes have been made in the past to the benefits provided to members from the Scheme, which may not have been executed as required by the Scheme's documentation. This means that, although members are receiving the benefits that they expected to receive and employers intended to provide at the time the changes were made, they need to verify whether and when certain historic benefit changes took proper legal effect and are seeking legal judgment to ascertain this.

This process is likely to take some time but if judgement went against the Trustee this would result in an increase in liabilities for this defined benefit scheme. An initial estimated figure of £1.25m has been provided by TPT as the likely cost of an adverse ruling. Given this liability is the result of a change made by the administrators of the scheme, whilst we await further details YHA reserves its right to take such action as may be necessary to protect its position.

Multi-employer defined benefit scheme

Under the definition set out in FRS 17, the Pensions Trust Growth Plan Series 1, 2 and 3 are multi-employer pension schemes. YHA is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the contributions have been accounted for as if they were defined contribution schemes. Schemes 1 and 2 closed to new members in 2001, members of scheme 3 have the opportunity to remain in the scheme or join the Scottish Widows defined contribution scheme.

The last actuarial valuation concluded and published by the Pensions Trust was at 30 September 2017. The assets and liabilities and comparison to the previous triennial valuation in September 2014 were as follows:

	30 September 2017 Million £	30 September 2014 Million £
Assets	794.9	793.4
Present value of liabilities	<u>(926.4)</u>	<u>(969.9)</u>
Deficit	<u>(131.5)</u>	<u>(176.5)</u>

Notes to the financial statements

The assumptions that had the most significant effect on the valuation were as follows:

	30 September 2017	30 September 2014
Financial assumptions		
Market Implied Inflation	3.4%	3.4%
Long term gilt yield	1.8%	3.0%
Discount rates		
Pre-retirement rate	3.1%	4.2%
Post retirement rate	2.3%	3.3%
Inflation		
RPI	3.4%	3.1%
CPI	2.5%	2.2%

The deficit of £131.5 million represents a funding level of 85.8%. At the 2011 valuation the Trustees put in place a recovery plan with the aim of eliminating this deficit via a combination of additional contributions from employers and investment returns over a period of 10 years from 1 April 2013. As a result of the 2014 valuation the recovery plan had been extended by 2 years and 5 months until 31 August 2025. However, the current valuation now reduces this repayment period to 31st January 2025.

The Pensions Trust had previously notified YHA that the additional contributions required from YHA (England and Wales) from 1 April 2013 would be £385,220 rising by 3% per year. This was subsequently revised from 1 April 2016 to £403,318 and more recently from 1 April 2019 to £436,021.

As part of the agreement reached on the final salary scheme recovery plan on 31 March 2015 YHA will continue to meet its Growth Plan contributions from within total contributions across both schemes of £700,000 per annum rising by 3% per annum starting from 1 April 2015.

Multi-employer Pension Scheme movements

	2021 £'000	2020 £'000
Balance at 1 March	2,278	2,638
Paid in the year	(448)	(435)
Interest expense	21	39
(Decrease)/increase in liability	15	36
Balance at 28 February	1,866	2,278

24 Endowments

Permanent Endowments (group only)

	At 1 March 2020 £'000	Realised gain £'000	Unrealised loss £'000	At 28 February 2021 £'000
Wilderhope Funds	125	3	10	138
Richards bequest	389	8	32	429
Peter Grant Fund	77	2	5	84
Peter Grant Endowment Fund	96	2	8	106
Merseyside YH Golden Jubilee Trust	141	-	1	142
	828	15	56	899
Expendable endowments	132	3	10	145
	960	18	66	1,044

Notes to the financial statements

The Wilderhope Manor Fund and the Wilderhope Fund were created to provide financial support for the continuing use of Wilderhope Manor as a youth hostel.

The Richards Bequest generates income to pay for providing "various equipment for inside and outside sports & games, and material for handicrafts".

The Peter Grant funds were given to generate income for the maintenance of our hostels, (the endowment fund) and to give disadvantaged youngsters the opportunity to experience YHA.

The Merseyside Youth Hostel Golden Jubilee Trust endowment provides assistance, financial or otherwise to "enable needy or disabled young persons to enjoy the benefits of youth hostelling activities".

25 Restricted funds

Group and Company

	At 1 March 2020 £'000	Incoming resources £'000	Expenditure £'000	Transfers to/from unrestricted fund £'000	At 28 February 2021 £'000
Breaks 4 Kids/Project 90 Fund	83	360	(43)	-	400
Small Hostels Fund	382	5	(30)	-	357
Capital Grants & Donations	3,380	35	(113)	(11)	3,291
Revenue Grants & Donations	15	10,729	(10,642)	(4)	98
Other	189	20	(11)	1	199
	<u>4,049</u>	<u>11,148</u>	<u>(10,839)</u>	<u>(14)</u>	<u>4,345</u>
				2021 £'000	2020 £'000
Restricted funds (capital)				3,291	3,380
Restricted funds (other)				1,054	669
				<u>4,345</u>	<u>4,049</u>

The **Break 4 Kids** fund has been a long-standing fundraising appeal designed to give financial support to groups of disadvantaged youngsters and provide the opportunity of a stay with YHA. In 2019/20 we extended this project to expand the scope of the scheme to cover a wider group of disadvantaged young people and families as part of our 90th anniversary celebrations. Unfortunately given the covid pandemic we were unable to provide the residential stays during 2020/21 as we had hoped. Government restrictions permitting, we will recommence our programme later in 2021/22.

The **Small Hostels Fund** is supplemented by donations and legacies from people wishing to support the maintenance and development of YHA's small rural hostels. Donations of £5,000 (2020: £245,000) were gratefully received in the year with £30,000 being spent from the fund this year to support the refurbishment of a number of hostels throughout the network.

During the year capital grants of £2,000 (2020: £176,000) were received. This related to the final claim towards the refurbishment of YHA Street. A further £32,000 (2020: £450,000) of donations were received to support other capital refurbishment projects including £22,000 for the refurbishment of Bryn Gwynant and £10,000 for Swanage.

The £14,000 transfer from restricted funds is where projects have been completed and the terms of the restriction have been met.

Notes to the financial statements

26 Analysis of net assets between funds

Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	91,227	3,291	-	94,518
Intangible fixed assets	626	-	-	626
Investments	-	-	1,044	1,044
Current assets	5,326	1,054	-	6,380
Current liabilities	(59,082)	-	-	(59,082)
Long term liabilities	(10,047)	-	-	(10,047)
Pension liability - Defined benefit	(5,402)	-	-	(5,402)
- Multi-employer	(1,866)	-	-	(1,866)
	<u>20,782</u>	<u>4,345</u>	<u>1,044</u>	<u>26,171</u>

Company

Company	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	91,227	3,291	-	94,518
Intangible fixed assets	626	-	-	626
Investments	-	-	1,045	1,045
Current assets	5,326	1,054	-	6,380
Current liabilities	(59,093)	-	-	(59,093)
Long term liabilities	(10,047)	-	-	(10,047)
Pension liability - Defined benefit	(5,402)	-	-	(5,402)
- Multi-employer	(1,866)	-	-	(1,866)
	<u>20,771</u>	<u>4,345</u>	<u>1,045</u>	<u>26,161</u>

27 Reconciliation of changes in resources to net cash inflow from operating activities

	2021 £'000	2020 £'000
Net expenditure for the reporting period (as per the statement of financial activities)	(14,278)	(1,283)
Adjustments for :		
Depreciation	5,163	5,409
Pension contributions to reduce liabilities	(591)	(766)
Pension cost expenses non cash	91	86
Pension net interest non cash	83	128
Borrowings – non cash items (amortisation)	70	162
(Gains)/losses on investments	(84)	-
(Loss)/profit on sale of tangible fixed assets	(210)	-
Interest charge	1,371	1,438
Investment income – cash element	(20)	(26)
(Increase)/decrease in stock	257	(31)
Decrease/(increase) in debtors	204	(625)
Increase/(decrease) in creditors	(7,400)	727
Increase/(decrease) in provisions	117	(50)
Net cash provided by/ (used in) operating activities	<u>(15,227)</u>	<u>5,169</u>

Notes to the financial statements

28 Analysis of cash and cash equivalents

	2021 £'000	2020 £'000
Cash in hand	<u>4,134</u>	<u>2,558</u>

29 Reconciliation of net cash outflow to movement in net debt

	Group	
	2021 £'000	2020 £'000
(Decrease)/increase in cash	1,576	(703)
Cash outflow from movement in debt and lease financing	<u>(19,001)</u>	<u>(5,750)</u>
Change in net debt resulting from cashflows	<u>(17,425)</u>	<u>(6,453)</u>
Non cash changes	(72)	(162)
Movement in net debt	<u>(17,497)</u>	<u>(6,615)</u>
Net debt at 1 March	<u>(38,208)</u>	<u>(31,593)</u>
Net debt at 28 February	<u>(55,705)</u>	<u>(38,208)</u>

30 Analysis of changes in net debt

	At 1 March 2020 £'000	Cash flows £'000	Non-cash Changes £'000	At 28 February 2021 £'000
Cash in hand and at bank	2,558	1,576	-	4,134
Debt within one year	(19)	19	(52,374)	(52,374)
Debt after more than one year	(40,177)	(19,219)	52,302	(7,094)
Finance leases	(570)	199	-	(371)
	<u>(38,208)</u>	<u>(17,425)</u>	<u>(72)</u>	<u>(55,705)</u>
Cash in hand and at bank	2,558	1,576	-	4,134
Total borrowing & finance leases	<u>(40,766)</u>	<u>(19,001)</u>	<u>(72)</u>	<u>(59,839)</u>
	<u>(38,208)</u>	<u>(17,425)</u>	<u>(72)</u>	<u>(55,705)</u>

31 Capital commitments

	2021 £'000	2020 £'000
Contracted for but not provided for in these financial statements	<u>-</u>	<u>487</u>

Capital commitments are included for any remaining expenditure required to complete major projects. This is intended to reflect YHA's commercial intent and any material commitments to full completion of these projects, in previous years this could have been in excess of the contractually binding liability as at the year-end date but that is not relevant this year as no such projects were in progress.

Notes to the financial statements

32 Leasing commitments

Operating lease and rental payments fall due as follows:

Group and Company

	2021		2020	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
In one year or less	2,118	514	2,028	677
Between one and five years	8,556	262	8,232	207
Between five and twenty-five years	51,168	-	49,093	-
Twenty-five years or more	3,288,843	-	3,356,668	-
	<u>3,350,685</u>	<u>776</u>	<u>3,416,021</u>	<u>884</u>

YHA holds leases on 13 properties beyond 25 years giving rise to a £3.3bn FRS 102 calculated liability. 96% of this calculated liability relates to commercial rent payable on a single property with 237 years of a 250-year term remaining. There is a break clause on this property in 18 years' time and every 35th anniversary thereafter which mitigates any risk to the charity.

33 Transactions with Trustees and other related parties

There were no transactions with Trustees other than those disclosed in note 10. There were no material transactions with related parties.

As YHA Trading Limited is a wholly owned subsidiary of YHA, YHA is exempt from the requirements of FRS 8 to disclose transactions with this company.

34 Contingent land commitment

We have an agreement which would allow us to purchase land with the intention of building a new hostel, and we have 18 months to take advantage of this option. This arrangement is subject to commercial sensitivity therefore the financial impact of this cannot be disclosed within this report.