

OCTOBER 2019

THE ARMED FORCES COVENANT FUND TRUST

REPORT AND FINANCIAL STATEMENTS
FOR THE 14 MONTH PERIOD TO
31 MARCH 2019

Company number: 11185188

Charity number: 1177627

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REFERENCE AND ADMINISTRATIVE INFORMATION

Charity number and Country of registration 1177627
England & Wales

Registered office and operational address 7 Hatherley Street, London, SW1P 2QT

Trustees

The Armed Forces Covenant Fund Trustee Limited (company number 11185188) acts as the Trustee of The Armed Forces Covenant Fund. Trustees, who are also directors under company law, who served during the year and up to the date of this report, were as follows:

Helen Helliwell - Chair
Major General Duncan Capps
Wendy Cartwright
Commodore Rex Cox
Leigh Egerton - resigned November 2018
Janet Jones
Morag Malcolm
General Sir John McColl
Gerald Oppenheim
John Pitt Brooke
Professor David Rose
Anna Wright - appointed May 2018

Key management personnel Melloney Poole - Chief Executive

Bankers Nat West Bank
Victoria, London SW1

Solicitors Wrigleys Solicitors
19, Cookridge Street
Leeds, LS2 3AG

Auditor Sayer Vincent LLP
Chartered Accountants and Statutory Auditor
Invicta House
108-114, Golden Lane
LONDON, EC1Y 0TL

AN INTRODUCTION FROM OUR CHAIR OF TRUSTEES

The Armed Forces Covenant Fund Trust (the Trust) has achieved much in its first year of operation.

The staff team have moved successfully from the Ministry of Defence whilst managing the existing Covenant Fund grants, inducting new members of staff, embedding a new IT system to manage grants, and launching new programmes, such as the HM Treasury funded Veterans' Mental Health and Wellbeing Fund, and a further HM Treasury fund to improve existing building facilities for use of veterans.

In all, the Trust made 166 grants through the Covenant Fund and the Veterans' Mental Health and Wellbeing Fund in its first year, and an additional 2,773 awards to community organisations through the Armistice and Armed Forces Communities programme, which encouraged communities to come together to think about the Armed Forces today.

Behind the scenes, the Trust made improvements to how grants are made and managed, through moving from largely a paper-based grant-making approach to an online system, which is recognised as good practice among grant-makers. This makes it easier for applicants to apply online and manage the grants they have with the Trust, while giving the Trust better access to information. The team were able to set up many new processes to support our desire to be an effective grant-maker in our first year of operation. Being able to 'automate' some of the routine work has enabled staff to focus more on communicating with grant holders. For example, they have introduced interim reporting from Local Grant holders so we can discuss with them earlier, their successes and challenges, both to support them better and to learn; and using the grant management system to consistently code, categorise, search and analyse our applications and grants awarded provides rich data, which is already informing decision making and future plans.

We have also made changes to how we let organisations know about the funding they can access, by having more information available online, producing our programme information in more dynamic ways including infographics and video, and having a growing presence on social media. We have run our first consultation to help us develop stronger funding programmes by including a wide range of views from our stakeholders. We have also published reports on the Armed Forces Covenant: Local Grants programme and the Armistice and Armed Forces Communities programme, to improve the transparency of our grant-making and its impact.

We know that it is time consuming and challenging for charities to apply for funding. We continue to endeavour to make our programme guidance as clear as possible, and if an organisation is unsuccessful in their application, we will always provide written feedback.

AN INTRODUCTION FROM OUR CHAIR OF TRUSTEES

Thinking to the future, we are running some exciting programmes in the 2019/20 financial year focusing on Armed Forces families and supporting veterans. We are also developing better ways of measuring the impact of the projects that we fund. The Outcomes Measurement Framework has been developed for the Trust and is now being piloted. Using a single set of measures linked to our funding themes, our grant holders and the Trust will be able to better understand the impact being made in the short and longer term, and we are evaluating some of our major grants programmes and look forward to sharing this learning.

I would like to thank my fellow Trustees for all the engagement, support and contribution they have so generously given to the Trust; and would especially like to acknowledge the tireless efforts of the staff team who deliver so much on our behalf, in such a professional and efficient way. But without the grants that we award, we would not be able to achieve any of the objectives that we have to support the Armed Forces community.

Thank you to all our grant holders who are delivering great work on the ground to support our Armed Forces community – we know that your work makes a difference to them and will continue to ensure that society remembers and celebrates our Armed Forces.

Helix Helliwell



TRUSTEES' ANNUAL REPORT

The Trustees present their report and the audited financial statements for the 14 months ended 31 March 2019.

Reference and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the governing documents of the Trust, the requirements of a Trustees' report as required under charity law, and the Statement of Recommended Practice - Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102.

The Armed Forces Covenant Fund Trustee Ltd was incorporated on 2 February 2018, as the sole Trustee of The Armed Forces Covenant Fund Trust, a charity, which was registered on 7 February 2018.

The Trust was established to continue the work of the Covenant Fund team, which began operating within the Service Personnel Support department of the Ministry of Defence (MOD) in 2015. This team managed the first three years' grant-making activity of the Covenant Fund, which has an annual commitment from HM Treasury of £10M. As planned, after its first few years of operation, the governance and management arrangements of the in-house MOD team were reviewed, and, as a consequence, The Armed Forces Covenant Fund Trust was set up to continue the same activities as an independent trust.

The Trust's main purpose is to provide charitable assistance and support to those who serve in the Armed Forces, whether regular or reserve, those who have served in the past, and their families and carers. The wider community around a base or in an area with an Armed Forces population can also benefit from some funding programmes, as the Trust has supported projects that will help to encourage good relations between Armed Forces and civilian communities.

The Trust aims to meet these purposes by developing and delivering grant programmes, making awards to organisations in the voluntary and public sectors.

The Trustees will review the aims, objectives and activities of the Trust each year. This report looks at what the Trust has achieved and the outcomes of its work in the reporting period. The Trustees report the success of each key activity and the benefits the Trust has brought to those groups of people that it is set up to help. The review also helps the Trustees ensure the Trust's aims, objectives and activities remained focused on its stated purposes.

TRUSTEES' ANNUAL REPORT

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and in planning its future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives that have been set.

Achievements and performance

The Trust's main activities and who it tries to help are described below. All its charitable activities focus on the Armed Forces community and are undertaken to further the Armed Forces Covenant Fund Trust's charitable purposes for the public benefit.

During 2018/19, the Trustees undertook grant making and complementary activities in order to meet the Trust's objectives. These are described below.

During its first 14 months of operation, the Trust delivered the Covenant Fund programmes for 2018/19 and developed and launched two new funds (The Veterans' Health and Wellbeing Fund, and the Veterans' Community Centres programme) which are described further below. It also continued to manage awards made prior to 2018/19 from the Covenant Fund, the Aged Veterans' Fund and HM Treasury LIBOR Fund.

In the period covered by this annual report, the staff team was put in place (from a combination of staff transferred from the MOD and open recruitment) and management policies and operational procedures were established. After a short period in a shared space, the Trust staff team moved into its own premises in June 2018. It launched its website, regular newsletter and social media presence early in the financial year to publicise the availability of funds, to support applicants and grant holders and also to report on grants awarded and projects funded.

The Covenant Fund

The Armed Forces Covenant Fund has four broad funding themes now and in future years.

- Removing barriers to family life.
- Extra support in and after service for those that need help.
- Measures to integrate military and civilian communities and allow the Armed Forces community to participate as citizens.
- Non-core healthcare services for veterans.

TRUSTEES' ANNUAL REPORT

Funding programmes to achieve these aims are developed by the Trust in collaboration with the Covenant Team at the MOD, and other key stakeholders, to ensure they complement the agenda of the cross-government department Covenant Reference Group. All grant-making is undertaken according to recognised grant-making practice, with competing applications being assessed and considered according to open and transparent criteria.

During 2018/19, the Trust committed funds to the following funding programmes.

- **Tackling Serious Stress in Veterans, Carers and Families** - for programmes of work that will improve non-crisis mental health care to veterans with complex needs and their carers and families.
- **Ex-service Personnel in the Criminal Justice System** - continuation and sustainability funding for projects supporting ex-service personnel with needs that can be complex.
- **Armed Forces Covenant Fund: Local Grants** - to support the integration of military and civilian communities and/or delivery of services to the Armed Forces community.
- **Armistice and Armed Forces Communities** - to promote community integration in areas of need by supporting local communities to consider the Armed Forces Covenant and its relevance today in the context of the WW1 commemorations.

The Trustees awarded the following grants under the priorities agreed for the financial year.

- One hundred and fifty grants have been awarded under the Armed Forces Covenant: Local Grants programme.
- Eight portfolio grants have been awarded under the Tackling Serious Stress in Veterans, Carers and Families programme.
- Seven large continuation grants were awarded under the Ex-Service Personnel in the Criminal Justice System Continuation and Sustainability programme.
- Under the Armistice and Armed Forces Communities programme, 2,773 awards were made across the United Kingdom, including 731 to uniformed youth organisations, 229 in Scotland, 205 in Wales, 83 in Northern Ireland and 2,249 in England.

TRUSTEES' ANNUAL REPORT

Armed Forces Covenant: Local Grants programme

Under the Armed Forces Covenant: Local Grants programme, grants of up to £20,000 were awarded for local projects that support community integration or local delivery of services.

Community integration projects will create strong local links between the Armed Forces community - who are current and former members of the Armed Forces and their families - and civilian communities; and be able to clearly demonstrate how they will have impact in overcoming barriers to better integration and improving perceptions, attitudes and understanding. For the project to be truly effective in achieving community integration, there should be shared development, delivery and benefits for both communities.

Delivery of local services projects should be local projects, which offer financial advice, housing, mental and physical health, employability or social support for serving Armed Forces personnel or veterans, and their families. Projects must be well connected, both to their beneficiaries and to other relevant organisations, and be able to demonstrate how the services they provide will be well-publicised, accessible and joined up.

This programme was delivered as a 'rolling programme' throughout 2018/19, continually open for applications rather than having funding rounds and deadlines. The Trustees considered applications on four occasions during the year, and in total considered 404 applications requesting, in total, £6,814,930. Of these, the Trustees decided to award 150 grants, totaling £2,446,199.

Overall numbers of applications were considerably increased from the previous years (253 applications received 2016/17, 297 received 2017/18) and ineligible applications continued to be very low, reflecting the value of continuous improvement to guidance material and its accessibility via the Trust's website. Awards were made only to those fully meeting the aims of the funding programme.



TRUSTEES' ANNUAL REPORT

Tackling Serious Stress in Veterans, Carers and Families programme

This programme was designed to fund a small number of innovative projects that enable charities and health professionals to work together to develop and try new ideas that they have developed with veterans and their carers and families.

Successful applications had to demonstrate that they could support veterans who have chronic and/or severe mental health needs, that are having a significant impact on their day-to-day lives, and where there is no current alternative for support, or those alternatives have been exhausted. Strong and regular collaboration is in place with the NHS to consider programme outcomes and learning.

Successful grants are portfolio by design; requiring the lead organisation to collaborate with a diverse group of statutory, health and third sector organisations. The Trustees awarded funding to eight portfolios, delivering projects across all four countries of the UK, although one organisation subsequently was unable to pursue their project and withdrew.

The programme design had commenced with a well-supported consultation with responses directly from veterans, and from family members of veterans; then launched in the form of an open forum for potential applicants. Several support tools for applicants were put in place and resulted in comprehensive applications for assessment.

Following an open procurement process, the University of Chester was appointed as the external evaluator. They will use a common set of measurement metrics and, through the production of a final report, will be able to include evidence of clinical success and cost effectiveness for the solutions being piloted.

The Trust is also funding a narrative research project to ascertain and understand the impact that death as a result of service has on the surviving family. Specifically, it will focus on the experience of families in receiving the casualty notification and the impact the current process used has on the long-term wellbeing of the family, which will inform current grant management but also provide Trustees with a valuable context for decision making under the Removing Barriers to Family Life programme in 2019/20.

Ex-Service Personnel in the Criminal Justice System Continuation and Sustainability programme

Fourteen grants totalling £4.6M were awarded from the Covenant Fund in 2015/16 as two and three year grants to support projects with ex-service personnel with the aim of reducing re-offending.

TRUSTEES' ANNUAL REPORT

Projects had success in reaching ex-service personnel who are currently offending or who are at risk of offending, but reported that they needed additional set up time to develop effective cross-sector partnerships.

The aim of this programme in 2018/19 was to provide further funding that would:

- continue to support ex-service personnel who are at risk of offending
- encourage the lasting sustainability of projects that offer good support to ex-service personnel who are in the criminal justice system
- encourage collaboration and effective cross-sector working that reduces duplication and provides the best possible pathways for ex-service personnel.

The Trust awarded £1,101,308 to seven organisations that applied for funding to continue their work with ex-service personnel within the criminal justice system. Following an open procurement process, RAND Europe were appointed to conduct an external evaluation of the programme.

The Trust also awarded £20,000 to Anglia Ruskin University for a further stage of development on the Outcomes Measurement Framework for use with these grants. The tool is now ready for initial deployment and the additional funding will be used for refinements and development based on user feedback by these grant holders in the year-long beta test period.

Armistice and Armed Forces Communities programme

Under this programme, the Trust awarded representational silhouettes to act as the focal point to Armistice commemorative events. These events brought together military and civilian communities in order to recognise the significance of the Armed Forces community today.

Awards of up to 10 silhouettes were made to 2,773 community groups across the United Kingdom. All awards were made on the understanding that by being a part of the programme, the recipient organisation was helping to improve and build better understanding and stronger relationships between civilian and military communities in their local area. Data from the programme highlighted a strong level of community engagement as a result of the awards. 69% of projects felt that the award had brought the community together more than they were expecting. 75% of award holders intend to carry out further activity as a result of their project. The programme supported a range of inter-generational activity.

TRUSTEES' ANNUAL REPORT

Legacy and LIBOR funds

The Trust continued to actively manage grants awarded by the Covenant Fund prior to 2018/19, including those to local authorities for delivery of the Covenant in their areas, and to a number of charities assisting serving families under the Families in Stress programme. The achievements of these multi-year grants continue to be monitored and shared, with project and programme evaluations due to be published online by grant holders and the Trust, as the funded periods end.

The Trust also manages grants awarded by HM Treasury from 2014 onwards from the LIBOR banking fines. The monitoring of these projects is delegated to the Trust, with decisions on significant variations and payments made with reference to Treasury officials.

Impact evaluation and outcomes measurement

The Trust makes grants to support people from the Armed Forces community. Applicants are asked to explain why their projects will make a difference, and what they expect to change as a result of the work. Grant holders report on the outcomes of their projects.

The published programme guidance for each programme sets out the core criteria that applicants have to meet. For example, for the Tackling Serious Stress Programme, applicants had to show how they met the following criteria.

- How well your overall portfolio addresses the aims.
- How well your overall portfolio fits within the interventions that have been identified.
- Partnership working and collaboration.
- How well the portfolio is likely to be delivered.
- To what extent the plans represents value for money.
- To what extent the projects within your portfolio are safe and effective and are not currently available.
- To what extent we can have confidence that the totality of the work within your portfolio will have lasting impact, delivering changes that last beyond the funding period.
- How you have worked with veterans and their carers to develop your portfolio.



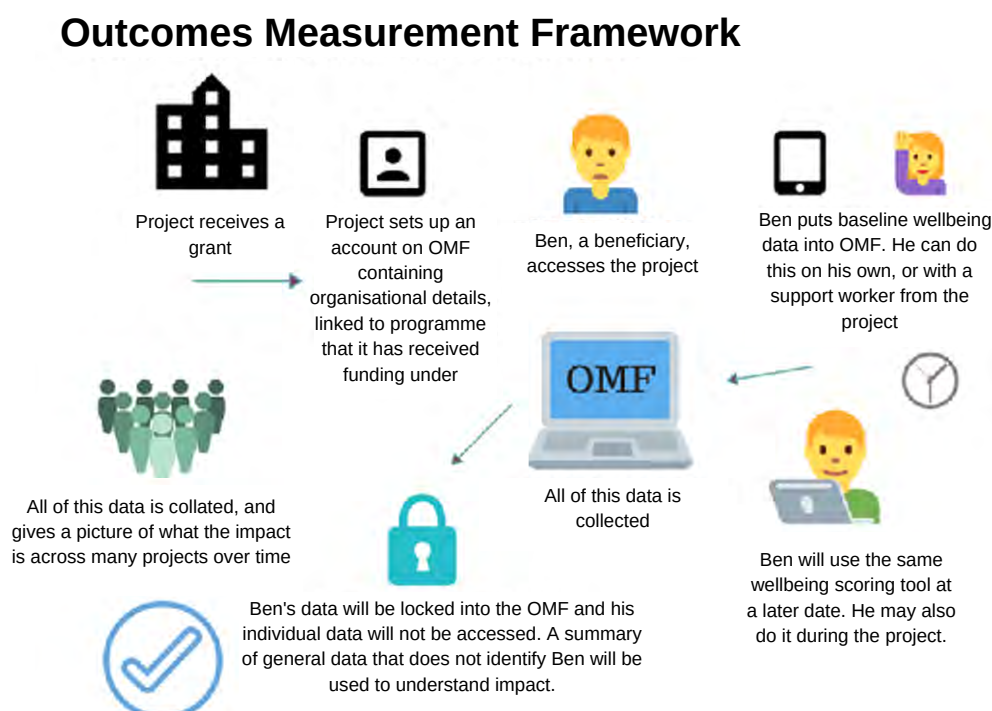
TRUSTEES' ANNUAL REPORT

The Armed Forces Covenant: Local Grants programme awards grant with a value of up to £20,000 and the projects can support a wide range of activities. Larger grant programmes have more targeted aims. For the Tackling Serious Stress programme, projects needed to be targeted to support individuals who were not unwell enough to require in-patient hospital care, but where other community-based treatment and interventions had been unsuccessful, and where symptoms were having a substantial impact on the veteran's ability to engage in day-to-day life.

The Trust has a range of tools, activities and projects underway to assist with understanding the impact of its grants.

i) The Trust has moved from a largely paper-based grant-making approach to an online grant management system. This enables grant application and reporting data to be processed through a secure online system, which provides efficiency within grant management for both grant holders, applicants and the Trust, and supports a sophisticated approach to data collection, management and analysis.

ii) The Trust has been working with the Veterans and Families Institute at Anglia Ruskin University to develop an Outcomes Measurement Framework. This is an online tool that will be used by the Trust to measure impact across programmes over a period of time through a single set of measurements linked to the funding themes. It can also be used by projects to better understand the impact their work is having. Gathering data in a standard way across all projects will help the Trust to understand the changes that the funding is achieving.



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The tool will enable clear and quantifiable measurement of the distance travelled by project beneficiaries, across programmes, and linked to the four themes that the Trust delivers. Impact is measured using the Veterans Wellbeing Inventory, a validated measurement tool, to measure this progression. Projects ask beneficiaries to complete elements of the tool that are most relevant to the project, or all elements. Beneficiaries are asked to complete the questionnaire at the beginning and end of their time with the funded project, and at mid-way points if agreed appropriate with the project. This would be, for example, where a funded project is working with a beneficiary over a longer period of time. The tool is accessed through an online portal. Beneficiaries have complete choice about using the tool and would still be able to access a project funded by the Trust if they preferred not to use the tool. They can also have an anonymous account set up.

The tool has gone through testing with a range of grant holders. In the 2019/20 financial year, the tool will enter a year of beta testing with a small number of grant holders in which tweaks and minor improvements will be made before it is rolled out for all grant holders to use.

iii) The Trust has conducted and commissioned evaluation work on a number of programmes to explore the impact that grants are having, in line with good grant making practice.

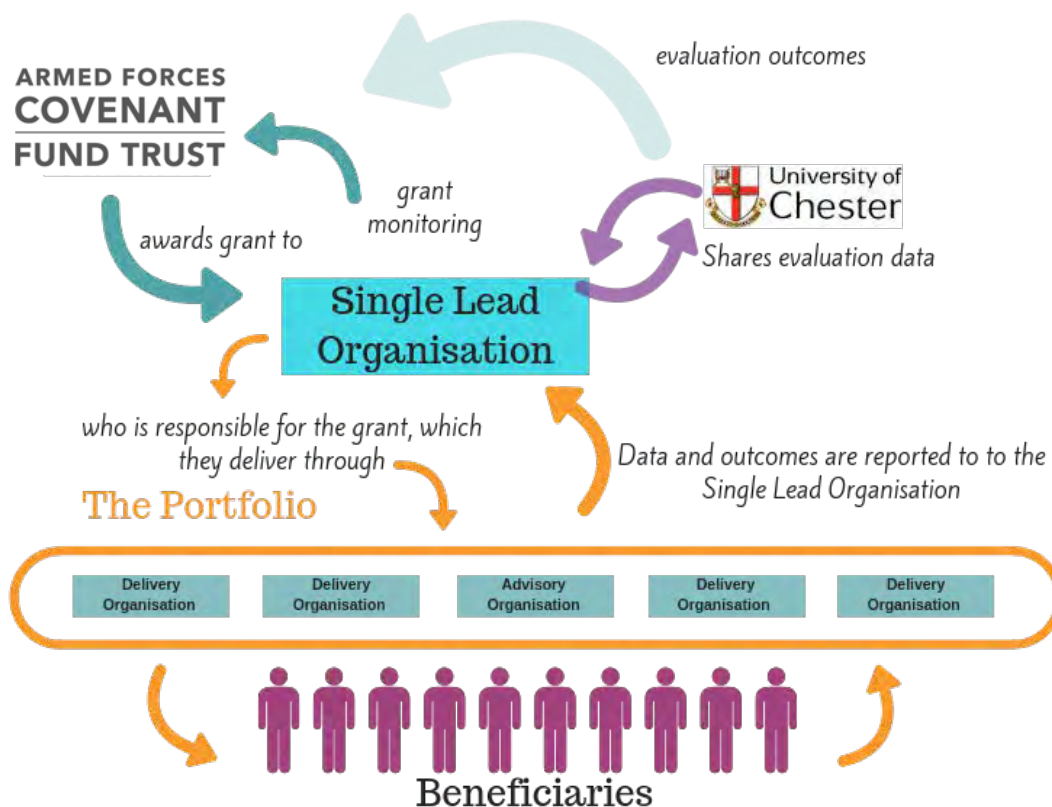
The Trust published a document exploring the first three years of the Armed Forces Covenant: Local Grants programme. It explored grant distribution geographically and by core themes. Two thirds of grant expenditure was on projects designed to improve integration between Armed Forces and civilian communities. Within the grants analysed, which had a value of £7M, projects collectively worth over £500,000 were identified as taking place in schools, supporting children and young people from serving families to form closer friendships with children from civilian families, or receive additional help from a challenge they are facing, perhaps from having a parent serving away from home. Projects for veterans have also received significant funding. £1.3 million has been spent on projects to help veterans feel more connected to their local communities, while £1.6 million has been spent on projects to give them help and support to meet their needs.

TRUSTEES' ANNUAL REPORT

The Trust conducted an evaluation into the Armistice and Armed Forces Communities programme. The communities that took part in the projects strongly felt that their events had helped local communities to think about the Armed Forces today, and 75% of award holders were intending to do more projects in future. Projects helped to bring people together by thinking about local heritage, and through inter-generational work. 69% of award holders reported that their projects had brought communities together more than they were expecting. There was strong involvement from young people in the events, which introduced good opportunities for inter-generational learning and engagement.

The Trust has planned evaluation work underway on the Aged Veterans' Fund, which will produce a report in the 2019/20 financial year; and external evaluation is underway on the Ex-Service Personnel in the Criminal Justice System programme (delivered by RAND Europe) and on the Tackling Serious Stress in Veterans, Carers and Families programme (delivered by the Westminster Centre for Research in Ageing, Mental Health and Veterans; University of Chester).

A model of the Tackling Serious Stress evaluation is shown below:



TRUSTEES' ANNUAL REPORT

iv) The Trust has been supporting the development of the Map of Need, a project funded in the 2017/18 financial year while the Covenant Fund was part of the MOD. This project is a data repository, which will inform the public and voluntary sectors about needs and services across the UK for the Armed Forces community, as well as providing an evidential base for the Covenant Fund to shape future priorities. Data is gathered from a range of public and charitable sector sources, and trends in need can be identified using geo-spatial analysis. The Map of Need is working with the Veterans Gateway to provide a better understanding of the support that veterans are seeking.

Communications and support to applicants and grant holders

The Trust had a basic website available for its launch on 1 April 2018, and this website has undergone a range of improvements to help applicants and grant holders better access information. The website also provides information on the activities of the Trust and grants that have been awarded. The Trust launched a new email subscription newsletter and analytical data shows a strong level of engagement with stakeholders. A Twitter account was established, as a tool to reach potential applicants. The Trust has visited a range of supported projects, including projects across the UK that were supported through the Armistice and Armed Forces Communities programme over the Armistice weekend. The Trust has also been asked to speak at national and regional conferences.

Communications are targeted to specific audiences. For the Armistice and Armed Forces Communities programme, information was made available to applicants and grant holders in multiple formats including videos and infographics.

The Trust held its first consultation to support the development of the Tackling Serious Stress in Veterans, Carers and Families programme. A total of 87 responses were received. Most of the responses were from charities that support the Armed Forces community. There were some responses directly from veterans and from family members of veterans, and there were high levels of support for the concept of supporting carers through the programme, having involvement in project design directly by veterans and for an overarching approach to evaluation. These consultation findings were published and informed the programme design.

The Trust also ran a consultation to inform the development of the Positive Pathways programme, which is part of the Veterans' Mental Health and Wellbeing Fund. This will report in the 2019/20 financial year.

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The Trust is fortunate to have good relations with charities across the Armed Forces charity sector, and Trustees were particularly grateful to Seafarers UK, who hosted the Trust while renovations to the office space were being completed.

The Trust works with the MOD, HM Treasury and other government departments, and works with Covenant leads in the Devolved Administrations. It works closely with Cobseo and attends the Cobseo research cluster of Armed Forces organisations, which are engaged in research activities. It also works with academic institutions, primarily to deliver projects and evaluations as detailed elsewhere.

Plans for the future

During 2019/20, the Trust will deliver funding programmes according to the priorities agreed with the Covenant Reference Group. These programmes will be developed by the executive team in the first instance, taking advice from the Covenant team at the MOD, research relating to the needs of members of the Armed Forces community, evidence from the Map of Need and advice of experts. Where appropriate, public or charity sector consultation will be undertaken to scope the purpose and delivery methodology.

The Trust will continue to manage and monitor grants and contracts awarded during 2018/19 and previous years, until final reports are received. Internal programme reviews and external evaluations will be undertaken and published on the Trust's website. During 2019/20, the Trust's website, which was set up for minimal cost and with basic infrastructure, will be re-designed and rebuilt to be sufficiently capable of handling the increased needs for supporting those applying for, or in receipt of grants, as well as providing access to research findings and publications.

The classification of the Trust as a Non-Departmental Public Body (NDPB) from 1 April 2019 is expected to require some adjustments in governance and management, and in reporting to the MOD. A governance review is already planned for the second part of the year. With these changes, staffing needs will also continue to be under review, according to the skills and resources required to deliver funding programmes and efficient operations, balanced with the agreed cap on support costs.

TRUSTEES' ANNUAL REPORT

Financial review

In this first 14 months of operation, the Trust's income comprised the three funds granted to it for the specified purpose of supporting the Armed Forces community. Each of these funds (Covenant Fund: £10M, HM Treasury's Veterans' Health and Wellbeing Fund: £10M, and MOD's Veterans' Community Centres Fund: £3M) is to run grant making programmes – the majority for grants to organisations, and to undertake evaluation and associated costs of managing grant making from applications through to consideration of final monitoring reports. The Trust also received from the MOD the balance of funds from the Aged Veterans' Fund, for which it is responsible for grant management and evaluation, plus an additional £50,000 towards the initial set up costs of the Trust.

Awards from the Covenant Fund were made throughout the financial year. The majority of funds were awarded at the meeting in February 2019, for multi-year projects to organisations that will draw down their grants over two or three years. Due to timing, £110,000 that was expected to be committed before year-end, but no final decisions had been made about distribution, is now designated to specific pieces of work due in 2019/20.

No awards were made during 2018/19 from the Veterans' Community Centres programme and only one grant was made from the Veterans' Mental Health and Wellbeing Fund. These programmes were developed and launched in the latter part of the year, so assessment and decisions will be made throughout 2019/20 and grants will be managed through to 2021/22. This means that a total of £9.7M and £3M respectively remain uncommitted at the year-end, but will be committed over the course of the subsequent year.

The Trust received an additional one-off grant of £50,000 from the MOD to assist with the initial costs of setting up the organisation, and a total of £35,000 was received as a refund from an uncompleted grant project.

During the year, the MOD transferred £17,803,867 in respect of commitments made in previous years by the MOD under the Covenant Fund and the Aged Veterans' Fund. The Trust continues to monitor and manage grants and associated evaluation and support costs for these programmes and will do so for at least two more financial years.



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Principal risks and uncertainties

A Strategic Risk Register has been developed containing six strategic risks. These are supported by eight operational risks. The staff team worked with the Audit and Risk Committee to develop the Strategic and Organisational Risks Register. The organisational risks were developed with Trust staff. Some of the controls in place for the strategic risks are managed through the controls developed to manage the organisational risks. The Strategic Risk Register is reviewed regularly by Trustees.

Principle risks for the Trust relate to the importance of the Trust maintaining a strong relationship with Government, the Armed Forces charity sector and core stakeholders and the challenges of delivering an intelligent grant-making approach while maximising the operational budget for grant-making and business continuity. Controls to mitigate these risks include the development and delivery of a communications strategy based on transparency, as well as a commitment to support grant applicants and grant holders. The Trust's governance and executive structures, and its internal controls, have been developed, tested and reviewed to keep best use of resources in focus within all decision making. On transfer of the responsibilities from the MOD to the Trust, a 'cap' on expenditure of support costs of no more than 5% of funds was agreed. Trustees consider managing within this to be a key risk as costs increase, needs change and inflation has an impact.

Reserves policy and going concern

The Trust holds limited reserves, but since the classification as an NDPB on 1 April 2019, it might be that it cannot hold reserves, nor earn interest.

Trustees will be engaging with the Cabinet Office and the MOD during 2019/20 to ensure that prudent planning and compliance with Charity SORP accounting can be achieved.

Fundraising

Unlike other funders, the Trust does not fundraise to produce a grants income. The Trust will not normally accept unsolicited donations. The Trust may consider donated income for the establishment of grant-making schemes that are aligned to the charitable objectives of the Trust. Under its policy, Trustees can turn down a donation where accepting the donation would be detrimental to the achievement of the purposes of the organisation, as set out in its constitution. Trustees have delegated the power to accept or refuse small donations to the staff team in line with this policy.

TRUSTEES' ANNUAL REPORT

Structure, governance and management

The Trust is an unincorporated charity. The Armed Forces Covenant Fund Trustee Limited, which was registered at Companies House on 2 February 2018, acts as the Trustee of the Armed Forces Covenant Fund, which was registered with the Charity Commission on 7 February 2018. The individuals referred to as Trustees are directors of the limited company under company law.

The limited company was established under a memorandum of association, which established the objects and powers of the Trust and is governed under its articles of association.

All Trustees give their time voluntarily and receive no benefits from the Trust. Any expenses reclaimed from the Trust are set out in note 6 to the accounts.

The Trustees held four full Board meetings in 2018/19 where governance, management and financial issues were considered, alongside the applications for funding under each of the funding programmes. All grant decisions were made in this forum during the financial year, with the exception of the non-financial awards made under the Armistice and Armed Forces Communities programme. Decisions on these awards were delegated to an Executive Grants Committee, comprising the senior management of the Trust, and reported to the next full meeting of the Trustees.

The Trust set up three other committees during its first year, each of which has Terms of Reference agreed by the full Board, and which report to the Board following each meeting of the committee. Members volunteered to take on these roles, according to their own interests and skills.

Remuneration and Nominations Committee - to consider all staff terms and conditions including performance management and pay, as well as future appointments to the Board and to senior posts.

Finance and Investment Committee - to establish financial policies, review controls, consider budgets and reports. It was expected also that its main work would be to draft the Trust's investment policy and, in due course, to oversee its investment management. Subsequent to the classification of the Trust as a Non-Departmental Public Body (NDPB), the investment planning has ended and the committee will not operate in 2019/20.

Audit and Risk Committee - to consider the annual audit and the Trust's risk register. This group also met with the auditors to discuss the interim audit which took place in November/December 2018.

TRUSTEES' ANNUAL REPORT

Day-to-day management of the Trust is delegated to the Chief Executive, Melloney Poole, who is supported by two senior managers. At the end of the financial year there were seven staff in post (6.4 full time equivalents). The post of Chief Executive was filled on an interim consultancy basis until confirmed as a permanent part-time role from January 2019. The staff complement was planned to increase (initially to 8.4 then 9.4 FTE) early in 2019/20 in order to deliver the two new funds.

Appointment of Trustees

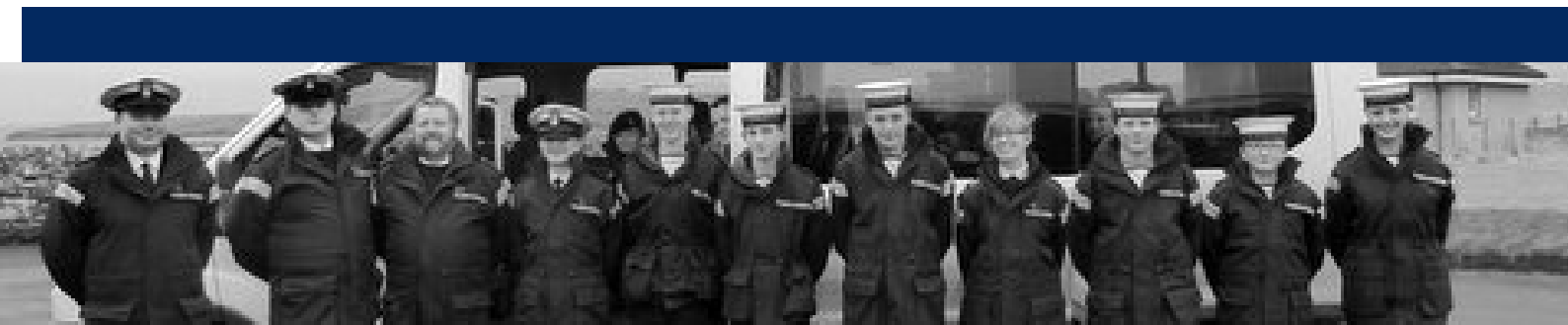
The majority of the founding Trustees of the Trust had previously served as members of the National Panel for the Covenant Fund when it was operating within the MOD, and new members were brought in to ensure that the range of skills required to manage an independent trust were available to the Board. Just one subsequent appointment has been made, by invitation of the Trustees having identified the advantages of having a Trustee from the Family Federations charities.

Following this transition period, as the Trust has been setting up as an independent organisation, Trustees plan to establish a policy and process for recruitment and appointing new Trustees. This will be developed as part of the Governance Review in the second half of 2019/20 and will ensure that Trustees are appointed according to their skills, experience and potential contribution to the Trust's work.

Trustee induction and training

The Trustees appointed to the Board of the Trust in February 2018 participated in two governance training sessions, delivered by the Trust's solicitors, and were provided with a Governance Manual. After the Governance Review, to take place in the second half of 2019/20, this manual will be updated and a revised induction and training plan put in place.

A policy for ensuring a proper skills mix and the process of annual self-assessment will be developed by the Trust's Remuneration Committee and agreed by the Board during 2019/20, pending the Governance Review.



TRUSTEES' ANNUAL REPORT

Related parties and relationships with other organisations

The Trust's funding plans are developed in close dialogue with the Covenant Team at the MOD, to ensure its programmes are informed by and complementary to, the MOD's support for serving personnel, veterans and their families. All funding decisions are made by the Trustees, with Trustees acting independently of their other professional roles. Declarations of interest are requested and recorded at each of the Board meetings, in relation to applications for funding being requested, contracts being considered or funded project updates, with relevant Trustees withdrawing from discussions and decision making as appropriate.

During 2018/19, the Trust continued to monitor progress on a multi-year grant awarded in 2017/18 to Cobseo. Cobseo's Chair, Sir John McColl is a Trustee of the Armed Forces Covenant Fund Trust.

Remuneration policy for key management personnel

The salary structure for the new Trust was developed with reference to similar roles in grant-making across the voluntary and public sectors, taking London weighting into account. After the first six months of operation, the Trustees commissioned independent consultants to undertake a bench marking review of salaries and other benefits. This was done by comparison with a wider sample and affirmed for the Trustees that the Trust's salary bands were appropriate for its current needs. A strategy has been developed by the Remuneration and Nominations Committee, which will consider future pay and performance awards and other terms and conditions of employment.

Statement of responsibilities of the Trustees

The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Trust's financial activities during the period and of its financial position at the end of the period. In preparing financial statements to give a true and fair view, the Trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

TRUSTEES' ANNUAL REPORT

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Trust and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditor

Sayer Vincent LLP was appointed as the charity's auditor during the year and has expressed its willingness to continue in that capacity.

The Trustees' annual report has been approved by the Trustee Board on 16 August 2019 and signed on their behalf by

Helen Helliwell

Helen Helliwell
Chair of Trustees

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the Trustees of the Armed Forces Covenant Fund

Opinion

We have audited the financial statements of Armed Forces Covenant Fund (the 'charity') for the period ended 31 March 2019 which comprise the statement of financial activities, balance sheet, 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 charity's affairs as at year end and of its incoming resources and application of resources, for the year then end
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity 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.

INDEPENDENT AUDITOR'S REPORT

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Trustees' Annual Report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. 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.

INDEPENDENT AUDITOR'S REPORT

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' annual report is inconsistent in any material respect with the financial statements
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities set out in the Trustees' Annual Report, the Trustees 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 charity'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 charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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.

INDEPENDENT AUDITOR'S REPORT

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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charity's Trustees as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's Trustees 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 charity and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Sayer Vincent LLP, Statutory Auditor

1 October 2019

Sayer Vincent LLP, Statutory Auditor

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006

Statement of financial activities

For the period ended 31 March 2019

	Note	Unrestricted £	Restricted £	2019 Total £
Income from:				
Charitable activities				
M.O.D – £10M Covenant Fund	2	–	10,050,000	10,050,000
H.M.T – £10M Veterans' Mental Health and Wellbeing Fund	2	–	10,000,000	10,000,000
H.M.T – £3M Veterans' Community Centres Fund	2	–	3,000,000	3,000,000
Aged Veterans' Fund	2	35,118	383,410	418,528
Investments		7,478	–	7,478
Total income		42,596	23,433,410	23,476,006
Expenditure on:				
Charitable activities				
M.O.D – £10M Covenant Fund	3	–	9,880,515	9,880,515
H.M.T – £10M Veterans' Mental Health and Wellbeing Fund	3	–	303,066	303,066
Aged Veterans' Fund	3	–	100,000	100,000
Total expenditure		–	10,283,581	10,283,581
Net income / (expenditure) for the year	5	42,596	13,149,829	13,192,426
Transfers between funds		268,183	(268,183)	–
Net movement in funds		310,780	12,881,646	13,192,426
Reconciliation of funds:				
Total funds brought forward		–	–	–
Total funds carried forward		310,780	12,881,646	13,192,426

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 15 to the financial statements.

Balance sheet

As at 31 March 2019

	Note	2019 £	2019 £
Current assets:			
Debtors	10	13,142,098	
Cash at bank and in hand		17,712,620	
		<u>30,854,718</u>	
Liabilities:			
Creditors: amounts falling due within one year	11	(13,799,723)	
			<u>17,054,995</u>
Net current assets			<u>17,054,995</u>
Total assets less current liabilities			<u>17,054,995</u>
Creditors: amounts falling due after one year	12		(3,862,569)
			<u>13,192,426</u>
Total net assets			<u><u>13,192,426</u></u>
The funds of the charity:	15		
Restricted income funds			12,881,646
Unrestricted income funds:			
Designated funds		245,780	
General funds		65,000	
		<u>310,780</u>	
Total unrestricted funds			<u>12,881,646</u>
Total charity funds			<u><u>13,192,426</u></u>

Approved by the Trustees on 16 August 2019 and signed on their behalf by

Helen Helliwell
Chair of Trustees

Statement of cash flows

For the period ended 31 March 2019

	Note	2019	
		£	£
Cash flows from operating activities	16		
Net cash provided by / (used in) operating activities			17,705,142
Cash flows from investing activities:			
Dividends, interest and rents from investments		<u>7,478</u>	
Net cash provided by / (used in) investing activities			<u>7,478</u>
Change in cash and cash equivalents in the year			17,712,620
Cash and cash equivalents at the beginning of the year			<u>-</u>
Cash and cash equivalents at the end of the year			<u><u>17,712,620</u></u>

Notes to the financial statements

For the year ended 31 March 2019

1 Accounting policies**a) Statutory information**

The Armed Forces Covenant Fund is a charitable trust located in England. The registered office address (and principal place of business) is 7 Hatherley Street, London, United Kingdom, SW1P 2QT.

Basis of preparation

- b) The charity was established by a trust deed dated 7 February 2018 and commenced its activities on this date, these financial statements are drawn up from the date of establishment to 31 March 2019.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2015), charity regulations and the Charities Act 2011.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

In applying the financial reporting framework, the Trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

Public benefit entity

- c) The charitable company meets the definition of a public benefit entity under FRS 102.

Going concern

- d) The Trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

Key judgements that the charitable company has made which have a significant effect on the accounts include estimating the liability from multi-year grant commitments.

The Trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Income

- e) Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

Interest receivable

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

Notes to the financial statements

For the year ended 31 March 2019

1 Accounting policies (continued)**g) Fund accounting**

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

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the Trustees for particular purposes.

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings.

- Costs of raising funds relate to the costs incurred by the charitable company in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose.
- Expenditure on charitable activities includes the costs of grant making, evaluation and other grant related activities to further the purposes of the charity and their associated support costs.
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

i) Grants payable

Grants payable are made to third parties in furtherance of the charity's objects. Single or multi-year grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the Trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and that any condition attaching to the grant is outside of the control of the charity.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

j) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

Where information about the aims, objectives and projects of the charity is provided to potential beneficiaries, the costs associated with this publicity are allocated to charitable expenditure.

Support and governance costs are re-allocated to each of the activities on the basis of an estimate, based on staff time, of the amount attributable to each activity.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

k) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

l) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £5,000.

Notes to the financial statements

For the year ended 31 March 2019

1 Accounting policies (continued)

m) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

n) Short term deposits

Short term deposits includes cash balances that are invested in accounts with a maturity date of between 3 and 12 months.

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

p) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

q) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

r) Pensions

Employees of the charity are eligible to receive contributions to their selected pension scheme – either their personal pension account or if they wish to join the charity's selected pension provider NEST. Three employees are members of the Civil Service Pension Scheme, having been transferred from employment at the Ministry of Defence under TUPE arrangements.

2 Income from charitable activities

	Unrestricted £	Restricted £	2019 Total £
M.O.D – £10M Covenant Fund	–	10,000,000	10,000,000
M.O.D – Set Up Fund	–	50,000	50,000
H.M.T – £10M Veterans' Mental Health and Wellbeing Fund	–	10,000,000	10,000,000
H.M.T – £3M Veterans' Community Centres Fund	–	3,000,000	3,000,000
Aged Veterans' Fund	35,118	383,410	418,528
Total income from charitable activities	35,118	23,433,410	23,468,528

Government grants received were for specific purposes. The Covenant Fund comprises £10M per year to fund projects that support the Armed Forces community. An additional £50,000 was awarded from the MOD during the period covered by these accounts as a contribution to the start-up costs of the charity. The £10M Veterans' Mental Health and Wellbeing Fund, and the £3M Veterans' Community Centres Fund were both announced by the Government in the October 2018 Budget Statement. Grants were awarded from the Aged Veterans' Fund by the MOD during 2015/16 and 2016/17. The sums granted to the charity from this fund in the period covered by these accounts will enable the ongoing support and evaluation of grants awarded.

Armed Forces Covenant Fund

Notes to the financial statements

For the year ended 31 March 2019

3 Analysis of expenditure

	Charitable activities			Governance costs	Support costs	Research & Evaluation	2019 Total
	M.O.D – £10M Covenant Fund	H.M.T – £10M Veterans' Mental Health and Wellbeing Fund	Aged Veterans' Fund				
	£	£	£	£	£	£	£
Staff costs (Note 5)	217,541	–	100,000	7,056	28,226	–	352,823
Grant Making (Note 4)	8,826,732	300,000	–	–	–	–	9,126,732
Evaluation	–	–	–	–	4,743	550,110	554,853
Professional Fees	93,338	–	–	16,471	–	–	109,810
Premises Costs	42,602	–	–	–	4,734	–	47,336
Other Costs	–	–	–	–	12,367	–	12,367
Audit	–	–	–	14,000	–	–	14,000
Grant Management System & IT	55,811	–	–	–	9,849	–	65,660
	9,236,024	300,000	100,000	37,528	59,919	550,110	10,283,581
Support costs	608,144	1,885	–	–	(59,919)	(550,110)	–
Governance costs	36,347	1,181	–	(37,528)	–	–	–
Total expenditure 2019	9,880,515	303,066	100,000	–	–	–	10,283,581

All expenditure was restricted.

Armed Forces Covenant Fund

Notes to the financial statements

For the year ended 31 March 2019

4 Grant making

	Grants to institutions £	2019 £
Cost		
Covenant Fund	8,826,732	8,826,732
Veterans' Mental Health & Wellbeing Fund	300,000	300,000
	<u>9,126,732</u>	<u>9,126,732</u>
At the end of the year	<u>9,126,732</u>	<u>9,126,732</u>

For details of grants to institutions please see the website at www.covenantfund.org.uk/grants-weve-funded/

5 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2019 £
Operating lease rentals payable:	
Property	27,496
Auditors' remuneration (excluding VAT):	
Audit	<u>12,000</u>

6 Analysis of staff costs, Trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2019 £
Salaries and wages	272,883
Social security costs	28,053
Employer's contribution to defined contribution pension schemes	8,801
Employer's contribution to defined benefit pension schemes (including set up costs)	40,478
Other forms of employee benefits	570
Staff training	2,038
	<u>352,823</u>

The following number of employees received employee benefits (excluding employer pension costs and employer's national insurance) during the year between:

	2019 No.
£60,000 – £69,999	<u>2</u>

The total employee benefits (including pension contributions and employer's national insurance) of the key management personnel were £77,903.

The charity Trustees were neither paid nor received any other benefits from employment with the charity in the year. No charity Trustee received payment for professional or other services supplied to the charity.

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs relating to attendance at meetings of the Trustees. There were no Trustee expenses incurred.

Armed Forces Covenant Fund

Notes to the financial statements

For the year ended 31 March 2019

7 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 6.8.

Staff are split across the activities of the charitable company as follows (full time equivalent basis):

	2019 No.
Grant making	5.8
Support	0.8
Governance	0.2
	<u>6.8</u>

8 Related party transactions

The Armed Forces Covenant Fund Trustee Limited (company number 11185188) is the Trustee of the charity. It holds a number of contracts on behalf of the charity, as a separate legal entity. There have been no transactions between the parties. The corporate Trustee implements the decisions of the directors of the Armed Forces Covenant Fund Trustee Limited.

In February 2018, £30,000 was paid to Cobseo in respect of a grant awarded from the Covenant Fund in 2017/18. John McColl, is a Trustee of the charity and is Chair of Cobseo. At the year-end, £270,000 was outstanding in respect of this grant, due to be paid in instalments over three more financial years. In addition, the charity is responsible for managing HM Treasury LIBOR Fund grants of which Cobseo is a recipient. Payments in respect of LIBOR grants are made from the Ministry of Defence, on recommendation from the charity.

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

9 Taxation

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

10 Debtors

	2019 £
Trade debtors	13,140,880
Other debtors	1,218
	<u>13,142,098</u>

11 Creditors: amounts falling due within one year

	2019 £
Grants payable	13,268,738
Deferred income	500,000
PAYE	16,985
Accruals	14,000
	<u>13,799,723</u>

12 Creditors: amounts falling due after one year

	2019 £
Grants payable	3,862,569
	<u>3,862,569</u>

Armed Forces Covenant Fund

Notes to the financial statements

For the year ended 31 March 2019

13 Pension scheme

The charity contributes to employees' pensions in three different ways: i) some staff are members of a defined benefit scheme which is the Civil Service Pension Scheme; ii) others can join a defined contribution pension scheme with NEST; or iii) the charity will make contributions to the employee's choice of provider. Contributions to each pension scheme are shown in note 6.

Civil Service Pension Scheme

As part of their transfer arrangements from the MOD some of the staff members of the charity remained as members of the Civil Service Pension Scheme under the New Fair Deal Policy. This is a non-statutory policy that sets out how pensions issues are dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services.

The Civil Service Pension Scheme (CSPS) is an unfunded multi-employer defined benefit scheme and therefore as long as the required Employer (and Employee) contributions are paid over each month there is no further liability on the employer in respect of pension benefits for members. Under its Admission Agreement the charity has no share of the underlying assets and liabilities.

The scheme actuary valued the CSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

For 2018-19, employers' contributions of £35,478 were payable to the CSPS at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. An additional one-off payment was made to 'on-board' the charity to the scheme.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Other pensions

Staff members who joined the charity after 1 April 2018 have the choice of joining NEST, or having employer and employee contributions made to their own existing private pension. Either way, the charity will make a contribution of 8% of pensionable earnings if the employee contributes 5%. Employers' contributions of £8,801 were paid to other pension providers.

Contributions due to the pension providers at the balance sheet date were £163. Contributions prepaid at that date were £nil.

14 Analysis of net assets between funds

	General unrestricted £	Designated £	Restricted £	Total funds £
Net current assets	65,000	245,780	16,744,215	17,054,995
Long term liabilities	-	-	(3,862,569)	(3,862,569)
Net assets at 31 March 2019	65,000	245,780	12,881,646	13,192,426

Armed Forces Covenant Fund

Notes to the financial statements

For the year ended 31 March 2019

15 Movements in funds

	At 28 February 2018 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 March 2019 £
Restricted funds:					
M.O.D – £10M Covenant Fund	–	10,050,000	(9,880,515)	(100,000)	69,485
H.M.T – £10M Veterans' Mental Health and Wellbeing Fund	–	10,000,000	(303,066)	–	9,696,934
H.M.T – £3M Veterans' Community Centres Fund	–	3,000,000	–	–	3,000,000
Aged Veterans' Fund	–	383,410	(100,000)	(168,183)	115,227
Total restricted funds	–	23,433,410	(10,283,581)	(268,183)	12,881,646
Unrestricted funds:					
Designated funds:					
LIBOR Fund Evaluation	–	–	–	135,780	135,780
Local Government Delivery of the Covenant Digital Website	–	–	–	75,000	75,000
Tackling Serious Stress Engagement Event	–	–	–	30,000	30,000
	–	–	–	5,000	5,000
Total designated funds	–	–	–	245,780	245,780
General funds	–	42,597	–	22,403	65,000
Total unrestricted funds	–	42,597	–	268,183	310,780
Total funds	–	23,476,007	(10,283,581)	–	13,192,426

The narrative to explain the purpose of each fund is given at the foot of the note below.

Purposes of restricted funds

Covenant Fund: The Covenant Fund is delivered by the Armed Forces Covenant Fund Trust. It has £10M a year to fund projects that support the Armed Forces community and delivers programmes that align to four core themes of Removing barriers to family life; Extra support after service for those that need help; Measures to integrate military and civilian communities and allow the Armed Forces community to participate as citizens and Non-core healthcare services for veterans. This fund includes £50,000 of set-up funding to support one-off set-up costs in moving the grants function from the MOD to an independent Trust.

Veterans' Mental Health and Wellbeing Fund: In the Autumn Budget 2018 the Chancellor of the Exchequer announced £10M to support Veterans' Mental Health and Wellbeing needs. The Veterans' Mental Health and Wellbeing Fund has two programmes: the Positive Pathways Programme and the Strategic Pathways Programme.

Veterans' Community Centres Fund: In the October 2018 Budget, the Chancellor of the Exchequer awarded £3M to the Ministry of Defence to support the repair and refurbishment of community centres run by Armed Forces organisations which continue to provide a focus for veterans and support improvements to health and social outcomes. The MOD asked the charity to run this programme on their behalf.

Aged Veterans' Fund: The Aged Veterans' Fund had £30M of funding for projects that support non-core health, wellbeing and social care needs for older veterans (born before 1 January 1950), including surviving World War 2 veterans, those who undertook National Service and other voluntary enlisted veterans who may need some focused support in relation to their health and social care needs. All funding has been allocated by the MOD, the fund balance represents funding for costs which the charity will incur to manage the grants awarded under this programme.

Notes to the financial statements

For the year ended 31 March 2019

Purposes of designated funds

Aged Veterans' Fund: LIBOR Fund evaluation to be commissioned during first quarter 2019/20.

Covenant Fund: Local Government Delivery of the Covenant Digital Resources. Project to be initiated in 2019/20.

Covenant Fund: Tackling Serious Stress Engagement Event for grant holders during 2019/20 as key element of grant monitoring and evaluation programme.

Covenant Fund: Development of charity website to enable interactivity and hosting of additional resources. To be commissioned second quarter of 2019/20.

Transfer of funds

The transfer of funds from the Aged Veterans Fund to be used for the purposes of monitoring and evaluation is as agreed by HM Treasury.

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

	2019 £
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	13,192,426
Dividends, interest and rent from investments	(7,478)
(Increase) in debtors	(13,142,098)
Increase in creditors	17,662,292
Net cash provided by operating activities	17,705,142

17 **Legal status of the charity**

The charity is an unincorporated Trust governed by its trust deed dated 7 February 2018. The charity has a sole corporate Trustee, Armed Forces Covenant Fund Trustee Limited, company number 11185188. In 2019 the charity commenced discussions with MOD and Treasury in relation to the charity becoming a Non Departmental Public Body, this status was confirmed with effect from 1 April 2019.