



2016/2017

ANNUAL REPORT

MISSION

Since 1958 our mission has been to bring people together to fight poverty through the lasting power of volunteering.



VALUES

Whether our work is with local communities or with governments, it is always grounded in our four values:

- By thinking globally, we can change the world
- Progress is only possible through working together
- People are the best agents of change
- Knowledge is our most powerful tool.



VSO'S VISION

A world
without
poverty.



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CONTENTS

■ ■ ■ ■ ■	INTRODUCTION	
	Vision, Mission and Values	1
	Welcome from the Chair and Chief Executive	3 - 4
■ ■ ■ ■ ■	STRATEGIC REPORT	
	VSO at a glance	5 - 8
	Global Programmes	
	- Education	9 - 10
	- Health	11 - 12
	- Livelihoods	13 - 14
	- Core approaches	15 - 16
	Global Leadership	17 - 18
	Global Engagement	19 - 20
■ ■ ■ ■ ■	Monitoring and Evaluation	21
	Financial Review	23 - 30
	Risks and Uncertainties	31 - 34
	Structure, Governance and Management	35 - 42
	Reference and administrative details	43 - 44
■ ■ ■ ■ ■	FINANCIAL STATEMENTS	
	Statement of trustees' responsibilities	45
	Independent auditor's report	46 - 47
	Consolidated statement of financial activities	48
	Balance sheets	49
	Consolidated cash flow statement	50
	Notes	51 - 68
■ ■ ■ ■ ■	THANK YOU	69

WELCOME

from the Chair and the Chief Executive



MARI

In a remote community in Kenya I was fortunate enough to have met a group of Kenyan and UK

youth volunteers on the International Citizen Service programme. Immediately, I was struck by the energy and enthusiasm of these young people. I then heard about the innovative work they are doing to promote inclusion, particularly for those with hearing problems, and it made me so proud of the role VSO is playing to ensure no one is left behind and the world a better place.



PHILIP

In June last year, I travelled to Eastern Ghana to meet women farmers on our agricultural livelihoods

programme, delivered in partnership with Mondelez. Some of the women we have supported through our work have become community volunteers, working to support other women in neighbouring communities. During the visit I asked one of the women why she did this. She was both quick and eloquent in her reply, "We all have a duty to brighten our corner. If through my actions, I can help bring someone out of poverty and into the light, then it is my duty".



"Education is the most important thing, education is our future", Girls club in northern Ghana sing their dreams.



Rekha Shrestha from the National Disaster Recovery Co-ordination Secretariat, chats to Kopila Tamang at the 'Internally Displaced Person' camp in Dhading, Nepal.

This simple message from Ghana goes to the heart of VSO's mission – bringing people together to tackle poverty. It is why we're so proud to lead this organisation, which is so passionate about making tangible and sustainable changes in the lives of people, communities and societies. It is why we count ourselves lucky that - in a world faced by so many challenges and what seem like so many bad news stories – our employees, volunteers, and the people we are here to serve, provide so many inspirational stories of selflessness, hope and positive change. You will read about some of these in this annual report.

THE POSSIBILITY OF CHANGE

VSO's work is special. It is special because it unlocks the possibility of positive change. It does that by bringing people from different backgrounds, expertise and experience together to generate new ideas, new insights and new ways of doing things. We are an organisation that builds what we call "social capital" – networks, ideas, relationships – that enable a community, an organisation, a society to function more effectively. This delivers not just immediate change but long-term and sustainable impact.

Importantly, in the places we work it also helps communities become more resilient. They are able to get back on their feet more quickly if disaster strikes. We've seen the impact of this kind of investment in our programmes in Nepal after the earthquake of 2015. We've also seen it in our work in Sierra Leone where we are now helping to

rebuild the health system after the terrible Ebola epidemic.

BUILDING EVIDENCE

While we have achieved a lot in the last 12 months, we are an organisation that is always ambitious to do better. We have continued to build the evidence base for our work, looking for what works and, just as importantly, what doesn't work. At VSO, we pride ourselves on making decisions based on evidence. We're particularly pleased that we have completed our research, "Impact Beyond Volunteering", which shows how volunteering builds personal confidence and resilience, as well as energising citizens, who are then making a positive contribution to society.

MOVING FORWARD

As we go forward, we continue to challenge ourselves to do more. First, to ensure we are working with those at the very margins of society, who most need VSO's support. Second, to work more closely with other organisations around the world to build a global network of active citizens and volunteers who can help deliver the fairer and more equitable world we all hope for.

At VSO, we say a volunteer is anyone who has the courage and determination to be the change that they want in the world. And while sometimes the world can seem a very troubling place, what we see in VSO programmes is that volunteering is a practical way for each of us to live our commitment to social change. We hope you enjoy reading about our work.

VSO AT A GLANCE

Last year, VSO supported over 2.4 million people in 24 countries across Africa, Asia and the Pacific. We worked with 420 local partner organisations and trained over 7,000 volunteers and professionals to help create long-lasting change in some of the poorest communities in the world.

HOW WE WORK

Using our unique volunteering for development approach we brought thousands of people together to generate insights, ideas and, above all, action on poverty and exclusion.

Not only do we recruit international volunteers from all over the world, we are increasingly working with national volunteers who work in their own countries.

We also work with dedicated corporate and parliamentary volunteers, and with youth volunteers through the International Citizens Service (ICS). ICS is a UK-government funded volunteering programme that sees British volunteers aged 18-25 years undertake 10-12 week volunteering placements overseas

alongside young volunteers from their placement country. VSO leads a consortium of eight respected development organisations to deliver the ICS programme, and in 2016/17 mobilised 6,585 young people through the programme.

WHAT WE DO

Our work focuses on delivering long term change in three areas: education, health and livelihoods.

We organise our efforts within five core programme areas:

- Maternal and newborn health
- Adolescent and youth sexual and reproductive health and rights
- Inclusive education
- Agri-based value chains
- Youth employment and enterprise.

In addition, we recognise that social inclusion, gender equality and social accountability are critical to ensure sustainable, systemic change, and these are now core to our development approach.

We brought thousands of people together to generate insights, ideas and, above all, action on poverty and exclusion.



ICS volunteers get ready for a Community Action Day in the Lindi region, Tanzania.

OUR YEAR IN NUMBERS

OUR IMPACT

In 2016/17 we supported;

over **900,000** people through our education programmes

over **1,336,000** people through our health programmes

over **165,000** people through our livelihoods programmes

420 Partners



VOLUNTEERING FOR DEVELOPMENT

VSO worked with 7237 volunteers from all countries, ages and backgrounds, including;

6585 youth volunteers

239 international volunteers

319 national volunteers

94 corporate volunteers

YOUTH VOLUNTEERING ICS

ICS celebrated its biggest year to date, with 3317 UK volunteers joining 3268 local volunteers to help make a difference in some of the world's poorest communities. This included;

26,400 hours of peer education

3,300 action research projects

14,600 hours of awareness raising activities

25,300 hours of training

1,779 community infrastructure projects



VSO AT A GLANCE

VSO WORKS IN 24 COUNTRIES

- Bangladesh
- Cambodia
- Ethiopia
- Ghana
- India
- Kenya
- Lesotho
- Malawi
- Mozambique
- Myanmar
- Nepal
- Nigeria
- Pakistan
- Papua New Guinea
- Philippines
- Rwanda
- Sierra Leone
- South Africa
- Swaziland
- Tanzania
- Thailand
- Uganda
- Zambia
- Zimbabwe



NIGERIA

VSO has introduced a mobile science lab to support schools in Ifelodun increase the number of students studying science subjects. One school, which previously had no students studying science, has recorded 11 students for science subjects.



KENYA ICS

UK volunteers worked alongside Deaf volunteers from Kenya on the 'Deafway' project in Kasabet. The team carried out community training on basic Kenyan Sign Language and created community spaces where deaf people could share their experiences. These activities promoted integration, equality and awareness.



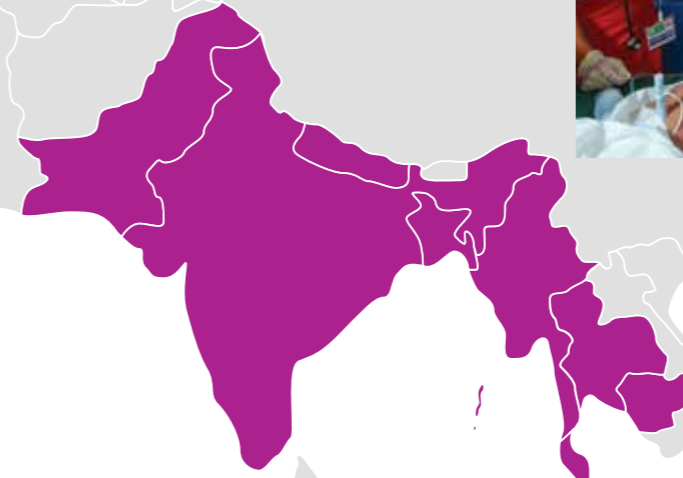
MYANMAR

VSO midwife advisers supported four midwifery training schools in the use of clinical competency-based models and computer-based learning resources. Eight out of 10 midwives tutored by VSO advisers reported improved skills in clinical, antenatal and postnatal care.



ZIMBABWE

Graduates came from Zimbabwe's first-ever accredited vocational training course in a prison setting. The training was established with support from a VSO project promoting human rights and access to health services in prisons in three countries across southern Africa.



BANGLADESH ICS

Over a thousand people attended a community action day organised by ICS youth volunteers in Dinjapur, Bangladesh, to celebrate International Women's Day.



INDIA

VSO's Aghaaz project, in partnership with telecoms provider Bharti Infratel, trained 1,004 vulnerable women in Jharkhand province in vocations such as security and hospitality as well as life skills. Over 70% of the women have found secure employment. We plan to expand the project to train more than 3,000 women.

GLOBAL PROGRAMMES

Education

Every child has the right to a quality education that gives them the best start in life.

Millions of children around the world are denied their right to a quality education, which could help them escape poverty.

VSO works to improve education for children, especially the most marginalised in society. We do this by developing teachers' skills, improving education management and increasing community support for education.

Last year our education programmes helped support over 900,000 children across 15 countries.

INCLUSIVE EDUCATION

Our education programmes target the children most likely to be excluded, including girls and those with disabilities. We've increased school enrolment and improved attitudes towards such children in projects across Ethiopia, Nepal, Kenya and Rwanda.

In Ethiopia, VSO supported the Abi Adi College of Teachers Education and 10 primary schools to improve access to quality education for children in remote and disadvantaged areas. Children in these schools benefited from greater learning outcomes and school attendance. The project also improved school facilities in areas affected by drought, meaning more children can access quality education.

TECHNOLOGY IN ACTION

Technology provides innovative and cost-effective learning improvements on VSO programmes. In Ghana, for example, we successfully piloted a technology-based platform to deliver teaching and learning resources to teachers.

In Malawi, we saw a 45% improvement in learning gains of children involved in our Unlocking Talent through Technology project. This uses digital education technology to accelerate learning for children in overcrowded, under-resourced classrooms. As a result, the Ministry of Education has expressed interest in integrating the approach across Malawi.

INVOLVING COMMUNITIES

VSO has strengthened parent-teacher associations and school management committees which has successfully increased parental and community involvement in education.

In Nigeria, ICS volunteers ran a programme focused on getting children to school. They created child-friendly learning spaces in local communities, where they taught basic literacy and numeracy alongside soft skills like personal hygiene. The programme was successful in providing education alternatives and re-enrolling children in schools.



15 countries



over 900,000 people supported



132 partners



Pupils at Ngwenya Primary School in Lilongwe, Malawi, waiting to log in to their Unlocking Talent Through Technology class session.

HELPING CHILDREN WITH DISABILITIES IN RWANDA

Charles, 11, has learning disabilities. He used to stay silent in school and kept separate from other children. But then his teacher at Gahanga Primary School in Nyamagabe, Rwanda, was trained as part of VSO's L3+ project. Now Charles mixes with other children, and has even begun to speak.

Around one in 10 children in Rwanda live with a disability. Most are not in school, and teachers generally lack the training and resources to do justice to those who are.

The L3+ project provides specialist training to teachers in mainstream schools on engaging children with disabilities, including by making special no-cost teaching and learning materials. Now 78% of teachers involved are confident that children with disabilities are properly included in their classrooms.

The project also provides training and awareness raising to parents and health workers on identifying and referring children with disabilities, and on understanding and protecting their rights.

At the start of the L3+ project, four out of 10 teachers said children with disabilities were a burden to society. This number has now fallen to one in 10.



GLOBAL PROGRAMMES

Health

Each year, over 2.6 million babies die within the first 28 days of life. Most of these deaths happen in developing countries from preventable causes.

Around the world people are suffering needlessly due to a lack of quality health services, keeping them trapped in a cycle of poverty.

VSO works with health workers, communities and governments to improve health services, focusing on the areas of maternal and newborn health, and adolescent and youth sexual health and rights.

Last year our health programmes helped over 1,336,000 people access the quality health care they deserve.

MATERNAL AND NEWBORN HEALTH

Each year, over 2.6 million babies die within the first 28 days of life. Most of these deaths occur in developing countries from preventable causes. VSO works in communities and health facilities to train health workers in clinical skills such as newborn care and resuscitation, improve service management, and promote low-cost, high-impact technology and practice.

Newborn death rates dropped significantly in partner hospitals in Ethiopia, Myanmar, Tanzania and Uganda, where VSO has supported improved neonatal intensive care units. In Ethiopia, the development of maternity waiting homes has allowed women experiencing complicated pregnancies to access specialised support

before, during and after delivery.

In Sierra Leone, Tanzania and Uganda, VSO supported communities to demand better access to maternal and newborn healthcare, increasing referrals to specialist care facilities and reducing the number of unattended home births.

ADOLESCENT AND YOUTH SEXUAL AND REPRODUCTIVE HEALTH

Globally, adolescents and youth are disproportionately affected by poor sexual and reproductive health services. VSO works to make these services youth friendly and accessible. Last year we supported communities to challenge the discrimination that can stop young people accessing the information and services they need to make informed choices.

Increasingly, we work directly with young people, while influencing those who exert power over them. In 10 countries youth volunteers delivered peer-to-peer programmes focusing on education, support, mentoring, leadership and research.

As a result, more young people are accessing sexual and reproductive health services, and have been empowered to challenge harmful practices such as early forced marriage, female genital cutting and gender-based violence.



14 countries



over 1,336,000 people supported



101 partners

Janet, 17, is one of the young mothers who received vital specialist care for her baby thanks to the VSO supported neonatal intensive care unit in Gulu Regional Referral Hospital, Uganda.



SAVING NEWBORN LIVES IN TANZANIA

Medical attendant Sophia uses a Newborn Triage Checklist Card supplied by VSO to assess newborn health at St Walburg's Hospital, Nyangao, Tanzania. The unit is being supported as part of VSO's Accelerated Care and Treatment (ACT) project improving health care for pregnant women, mothers and newborns.

Seven newborn intensive care units (NICUs) have been established through ACT in rural areas of the Mtwara and Lindi districts. These are equipped with easy-to-use, low-cost but effective technology such as portable ultrasound machines.

SMS text messaging was also successfully used to remind expectant mothers of prenatal checks and share other health information.

Before ACT, there were no specialised NICUs or training on newborn care for health workers in these regions. VSO is the first organisation to support the provision of these, and is proud of the results.

This year antenatal visits increased from 45% to 75% and the facility of delivery from 64% to 90%, while the time for identifying and managing complications and referring patients to NICUs decreased. A comparison of relative data shows that newborn death rate has dropped by 37% since 2013.



GLOBAL PROGRAMMES

Livelihoods

VSO builds programmes that help people live in dignity and security.

Millions of people are struggling without a reliable source of food and income to support themselves and their families. VSO programmes help people live in dignity and security, with better skills, income and fairer access to markets.

IMPROVING INCOMES FOR YOUNG PEOPLE

Global youth populations are booming - but young people are three times more likely to be out of work than adults.

VSO improves the employability of young people through education and vocational training, and by working with businesses to create more jobs.

In Uganda, the Youth Empowerment and Local Governance project to increase sustainable employment opportunities for young people, led to higher income for all participants. Indeed, the average weekly income for those involved in the project was three and half times larger than for the youth in northern Uganda.

ACCESS TO FINANCIAL SERVICES FOR FARMING COMMUNITIES

Many of the world's farming communities face high risks and low returns. We work at all levels of society to provide better market access for marginalised farmers, improve

farmers' bargaining power and increase yields.

Our Growing Together programme supports the livelihoods of farming communities in northern Bangladesh. Over two thirds of farmers in the Mithapukur region, who have diversified crops as part of Growing Together, report increases of net income by an average of 300% over the past two years.

In Tanzania, our Commercial Agriculture for Smallholder Farmers in Horticulture project helps smallholder farmers increase quality of produce and access to markets, and continues to deliver great returns on investment. For every £1 invested, £4.70 was returned in economic value. Last year, this project reached over 7,000 people.

CHANGING OUR APPROACH

Following an in-depth review of VSO's livelihoods work, we have improved our practices to ensure greater resource is devoted to understanding the aspirations, abilities and assets of the communities we work with so that we can deliver significant change.

Our new framework is being piloted across a range of programmes throughout 2017 and will be supported by continued in-depth analysis.



14 countries



over 165,000 people supported



112 partners



Members of EpilBaha Farmers Group celebrate with Syngenta and VSO volunteers involved in the Growing Together in Rangpur, Bangladesh.

SUPPORTING LIVELIHOODS IN UGANDA

Northern Uganda has struggled following years of conflict. Many children and young people were displaced during the fighting and their education suffered. Today, around eight in 10 young people in Uganda are unemployed.

VSO volunteers are supporting young people to access training in employment and agriculture.

Christine Atoo, 27, is one of the young farmers benefitting. Her family were forced to flee during the war. When it was finally safe to return, she had to start from scratch:

"We couldn't afford to take care of our needs. We didn't have clean water. When someone was sick we couldn't afford treatment."

"We would only farm small amounts of food for consumption. I used to dig my land using my hands alone."

Things changed for Christine after she became involved with the project.

"I've been trained in how to space my crops out and identify diseases - it's amazing. It's improved my yield dramatically."

"VSO is different. They didn't just give us oxen or money. They taught us on how to sustain our enterprises. We learned how to get something by working hard. This is something that we have ownership of."



GLOBAL PROGRAMMES

Core approaches

These three core approaches underpin everything VSO does as an organisation.

In 2016/17 VSO introduced its three core approaches: social accountability, resilience and social inclusion. These three approaches underpin everything VSO does as an organisation under our new People First strategy.

SOCIAL INCLUSION AND GENDER

The Sustainable Development Goals are a promise to end global poverty by 2030, leaving no one behind. But today thousands of the people VSO works with are discriminated, marginalised and excluded on the grounds of their gender, race, age, sexual orientation, disability and many other factors.

All our programmes across education, health and livelihoods are targeted at the poorest and most marginalised in society. We aim to break down the barriers that cause and perpetuate inequality and

exclusion, and improve access to quality services for all.

VSO ensures that all programmes consider gender, age and disability within their projects and VSO is working to define marginalisation and exclusion further within specific local contexts. For example, discrimination based on caste in Nepal, or religion in Pakistan.

We recognise that our programmes need to undergo in-depth social exclusion and gender analysis at the design phase. We made strides forward in the past year, carrying out detailed social exclusion and gender analyses in Rwanda, Bangladesh, Swaziland and Kenya. These analyses will help understand the systems of social exclusion and refocus our programming towards reaching the most marginalised members of society.

VSO's commitment to gender equality and social inclusion goes beyond programmes, extending into the behaviour and practices of staff, volunteers and partners. We made conscious efforts to raise awareness of these issues in 2016/17, including training for over 700 people working to deliver VSO's vision. Over 40 people were also identified to continue this awareness raising with new staff, volunteers and partners.

SOCIAL ACCOUNTABILITY

VSO is committed to ensuring that poor and marginalised people have access to more responsive and inclusive services and are able to hold decision-makers to account.

Throughout our programmes, we aim to:

- Build willingness and capacity of government and other service and resource providers to be accountable to citizens, especially poor and marginalised people
- Build willingness and capacity of citizens to exact accountability from those in power

Through our Social Accountability work VSO is supporting a Teenage Mothers School in Sierra Leone, helping young mothers like Fatama get an education and build a better future for herself and her daughter.

- Develop spaces and processes for engagement
- Advocate for the inclusion of marginalised people

Examples include strengthening civil society organisations in Cambodia, and providing technical advice to Zambian government officials to improve planning and service delivery.

In Rwanda, we continued work with the National Council of Persons with Disabilities to ensure that the rights and priorities of people with disabilities are considered in local decision-making and service delivery.

Having recently adopted social accountability as a core approach, VSO is in a transitional phase. More efforts will be made to ensure that social accountability elements are integral to the design of our programmes.

RESILIENCE

Resilience means the capacity of an individual, population group or system to anticipate, absorb, and recover from hazards, shocks and stresses. This includes the impacts of climate change.

VSO identified a number of stresses and shocks that have impacted our

programmes, including natural disasters, conflicts and political instability. These include health stresses like Ebola in Sierra Leone, and the ongoing HIV and AIDS pandemic in Zimbabwe and across much of Southern Africa. Among environmental factors, drought is having a significant impact on lives and livelihoods in countries such as Kenya, Rwanda and Uganda.

In Nepal, Pakistan, Malawi and the Philippines, VSO has consulted with people directly affected by poverty and inequality to identify the different stresses and shocks faced. We also highlight groups of people that are especially vulnerable, such as pregnant women, people living with HIV and rural smallholder farmers.

Over the past year VSO programmes have learnt and adapted in response to resilience issues. In Nepal we have worked with school management committees and parent teacher associations to ensure that disaster management is a compulsory component of the education system. In post-Ebola Sierra Leone VSO is supporting the Ministry of Health to strengthen health system capacity to cope with future shocks. Meanwhile, VSO Malawi is strengthening climate change adaptation through reforestation, soil conservation and cultivation of drought-tolerant crop varieties.



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Dr Padma, GP, is the first international volunteer back in Sierra Leone after the Ebola endemic was declared over. She is building up the knowledge of local healthcare workers so that the hospital remains a trusted place of healthcare.

GLOBAL LEADERSHIP

VSO is committed to enabling anyone with the right attitude to volunteer.

VSO's ambition is to influence and lead the development and volunteering sector to adopt practices that promote impactful and responsible volunteering. This can only be done in collaboration with others and by leading by example.

In Thailand, VSO has helped to influence the Government's national strategy on volunteering, with a policy announced last year and high-level commitments to volunteering. Alongside VSO's national partner, the Volunteer Spirit Network, which works with over 30,000 national volunteers, VSO has helped secure the first national volunteer centre supported by the government. This will help to better coordinate volunteering efforts in Thailand.

During the negotiations around the Sustainable Development Goals (SDGs), VSO brought the voices of our volunteers and partners to the heart of discussions at the UN. As global governments set their

plans for how they will implement this new agenda, we have ensured that the voices and experiences of the communities we work with continue to be heard. For example, in Kenya VSO is running community dialogues supported by youth volunteers to contribute to national plans for implementing the SDGs.

VOLUNTEER, WHEREVER YOU ARE FROM

VSO is committed to enabling anyone with the right attitude to volunteer. Working in partnership with other volunteering for development agencies across Europe, our IVO4All project has been making international volunteering more accessible for young people who wouldn't normally have that opportunity.

UK volunteer, Senara, worked on an ICS project in Nepal to improve education and sanitation for children in rural areas – building her skills, experience and



©VSO / David McClenaghan

VSO National Volunteers Tangina Mehnaz (right) from Bangladesh and Gregory Okonofua (left) from Nigeria at the IVCO 2016 conference in Bonn, Germany.



Youth policy makers, practitioners and the ICS consortium came together for the IVO4All conference in London to discuss how to create a more inclusive and accessible approach to youth volunteering.

confidence: "Before I even stepped foot in Nepal, I had gotten over certain fears and anxieties, and had experienced things that would never have been possible if it weren't for ICS."

In 2017, we'll be working closely with our IVO4All partners to influence policy across Europe. We're also continuing to work with the UK Government, to further reduce the barriers facing young people from less affluent backgrounds taking part in ICS.

DEEPENING UNDERSTANDING OF THE ROLE OF VOLUNTEERING

As an active member of the International Volunteer Cooperation Organisations (IVCO), our staff and volunteers helped to shape the debate at the annual conference. Civil society, governments, UN bodies, academia and the private sector from 35 countries came together to discuss the role volunteers play in creating a more just and sustainable world.

Attendees benefited from hearing the experiences of two inspirational national youth VSO volunteers: Gregory Okonofua from Nigeria and Tangina Mehnaz from Bangladesh.

Tangina kicked off the conference with a powerful speech about what resilience means to her, saying, "If I wasn't resilient I wouldn't be here today, I would be married

with children in Bangladesh."

Gregory contributed to a panel session about how we can create a lasting impact: "Community volunteering needs collaboration and knowledge sharing, so community members become more accountable for the issues they face. I believe volunteering holds the key that can unlock so many doors of positive change." We'll use the IVCO 2016 Call to Action to further inform VSO's approach to volunteering for development, and we will be reflecting on how we can best communicate our work around resilience as a core approach.

WORKING IN COLLABORATION

In December 2016, VSO signed a formal agreement with the Commission of the African Union (AU). This agreement represents a high-level commitment by the African Union to integrate volunteering into its peace and development work.

The AU will be developing two important policy documents during 2017: a ten-year action plan to promote human rights, and an action plan to realise the benefits of Africa's large youth population. VSO will play an important role in ensuring that the voices of the impoverished and marginalised people with whom it works are represented.

GLOBAL ENGAGEMENT

Since 1958, we've worked with volunteers from all over the world.

Global engagement is core to VSO's People First strategy. Since 1958, we've worked with volunteers from all over the world. We've grown our work with young people, national volunteers and community volunteers. And we focus on the participation of those directly affected by poverty and inequality.

Our ambition is to mobilise and engage active citizens across the world to play a vital role in delivering the Sustainable Development Goals (SDGs).

Our People First strategy will allow VSO to:

- Create space for those most affected by poverty and exclusion to advocate for and enact changes in their own lives and communities
- Help our global network to understand, engage with, and act in support of the SDGs
- Develop multi-sector partnerships to inspire people and their institutions into active support for "a world without poverty".

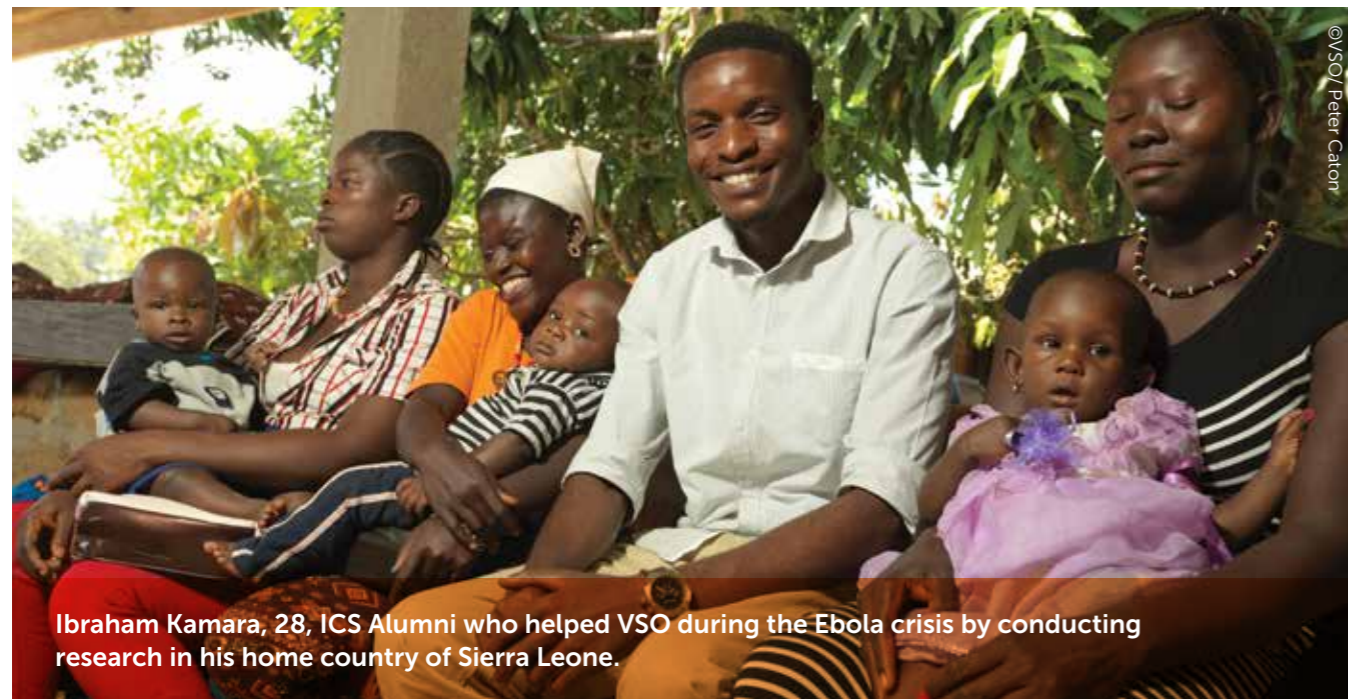
VSO'S GLOBAL NETWORK

Many of our volunteers stay connected with VSO for a long time, in many different ways. Some volunteer again, others fundraise and donate. Increasingly, they advise on the design, delivery and evaluation of VSO's programmes.

This passionate global network remains connected to VSO because they care about ending poverty and inequality. Being a VSO volunteer is not an experience that ends with the journey home.

There were some wonderful examples of that this year from VSO's country offices:

- VSO India asked a former volunteer, Sayani Basu, to test new fundraising approaches. As a result, Sayani has developed a crowdfunding model to fund a locally developed project for the education of blind children
- Ibrahim Kamara, a former ICS volunteer, carried out field work in his home country of Sierra Leone into the effect Ebola had on



©VSO / Peter Catton

Ibrahim Kamara, 28, ICS Alumni who helped VSO during the Ebola crisis by conducting research in his home country of Sierra Leone.

In November 2016 VSO volunteers and staff gathered in London for our first ever Volunteer Awards. The evening celebrating the work of our dedicated volunteers who have gone above and beyond to help change the lives of those most in need.



©VSO / David McCleghran

women accessing maternal health services.

- In Bangladesh, volunteers interviewed rural farming communities to produce a ground-breaking analysis of social exclusion and gender dynamics.

VSO VOLUNTEER AWARDS

Last year, VSO held its first annual VSO Volunteer Awards. These awards celebrate the best in VSO's volunteering approach, whether through professional volunteers or through ICS; acting as individuals or part of a team; right across the world.

While our winners were extremely diverse, what they had in common was an incredible commitment and a connection to VSO's mission of ending poverty and inequality.

Our winners included:

- Judith and Simon Hill, international volunteers of the year who turned down repatriation to support the disaster and rebuilding effort in the aftermath of the April 2015 Nepal earthquake
- Maryam Masood, a national volunteer from Pakistan, whose work included advocating the protection of women from domestic violence
- Syngenta's corporate team won the team award for what they achieved with the Growing Together project in Bangladesh.

IMPACT BEYOND VOLUNTEERING

In March, VSO published our Impact beyond Volunteering research, on how the experience of volunteering creates lasting change in VSO volunteers themselves, affecting their behaviour and career choices, and influencing others.

The study, available on the VSO website, shows that people who have volunteered with VSO tend to behave and act differently as a result of their experiences. It shows three main kinds of impact: social action and influence, career and goals, and changed practices.

More than three quarters (77%), report changes in their level of social action after volunteering. Over a third of volunteers continue to support individuals or groups with whom they worked with during their placement. Many reported being more confident, resilient and adaptable. Other impacts include former volunteers expanding their skills and knowledge.

Being a VSO volunteer can not only have a significant and lasting impact in some of the world's poorest communities – it can also have a significant and lasting impact on the volunteers themselves.

MONITORING AND EVALUATION

VSO has a culture of learning and evaluation throughout the organisation. This makes sure our work has the most impact and remains relevant, effective and sustainable. It also increases VSO's understanding of the distinctive contribution of volunteering to tackle poverty and inequality.

We encourage ongoing learning and evaluation across VSO to:

- Build learning and evaluative questions and processes into programme design
- Increase the number of collaborative evaluation and learning exercises conducted by programme teams
- Use findings to inform learning, understand impact and drive programme improvement
- Share best practice in evaluation methodology, approach and findings, using external expertise where necessary
- Undertake meta-evaluations across thematic and geographic areas
- Review when external evaluation is relevant and useful.

MONITORING PROGRESS THROUGHOUT PROGRAMMES

All VSO reviews and evaluations are guided by VSO's Global Results Framework. This is a global monitoring, evaluation, research and learning platform that helps VSO understand its contribution to the Sustainable Development Goals. It gives us a deeper understanding of the impact of VSO's programmes and volunteering interventions.

VSO's global results framework determines what programme data VSO gathers and what analytical questions are used to interrogate it.

It includes:

- Indicators and learning questions that look at the sustainable development impact of VSO's work in each of its core programme areas
- The number and demographics of the people reached through VSO programmes
- Evidence of increased inclusion and participation by those we are set up to serve
- Examples of innovation and failure.

From April to December 2016, VSO focused on refining indicators and tools, developing processes, and communicating the framework across the organisation. Each quarter, we collected forecasts of the expected number of people to be reached through our programmes. In the first few months of 2017, we collected information for the framework from all VSO country offices. This data includes summaries of 59 pieces of project or programme-level evidence, information on the people VSO has reached, and annual reports from each country office.

All VSO's monitoring and evaluation practices are guided by our principles, specifically:

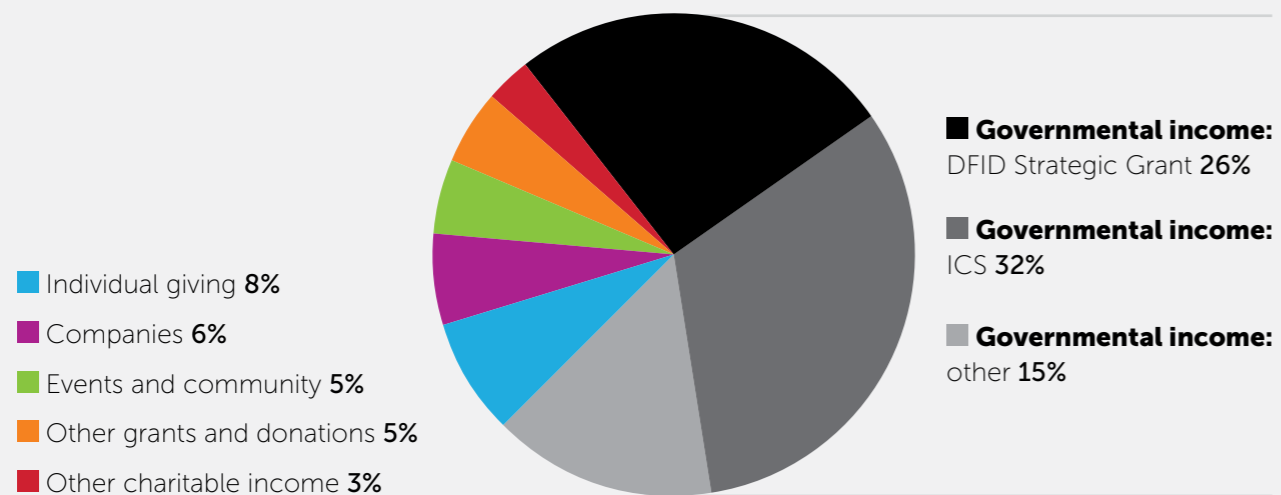
1. **Voice and inclusion** – the perspectives of those affected by poverty and inequality are included in the evidence. Power dynamics are recognised and understood.
2. **Contribution** – data is available to show that change has happened, and how it happened. We look at additional factors involved, such as unintended and unexpected, positive and negative changes.
3. **Methodologies** – approaches and designs of monitoring, evaluation and research are ethical and reasonable, and conflicting findings are presented and analysed.
4. **Transparency** – we report both positive and negative, intended and unintended outcomes and are clear on how data will be used.



FINANCIAL REVIEW

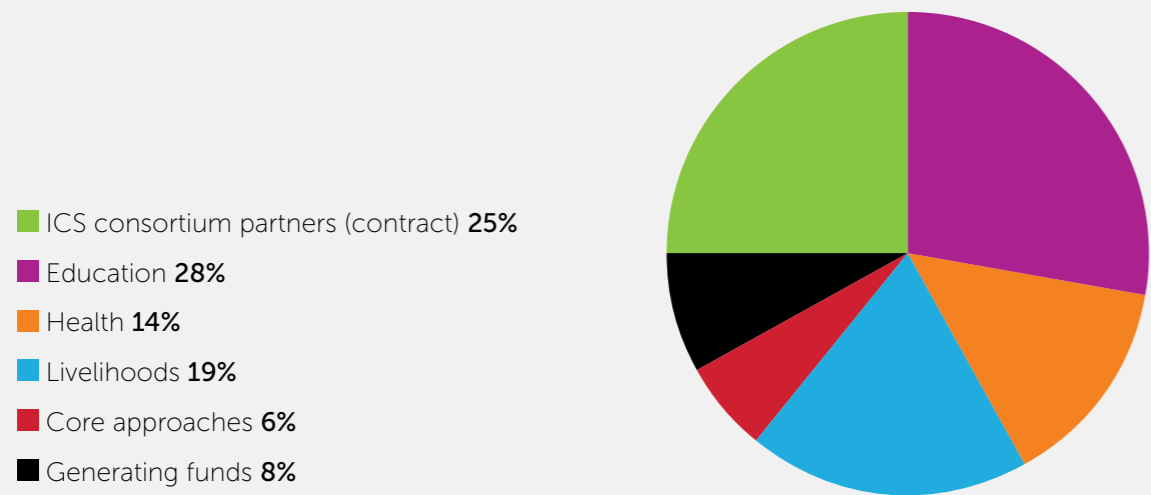
Income for the year totalled £78 million.

WHERE OUR INCOME CAME FROM 2016/17



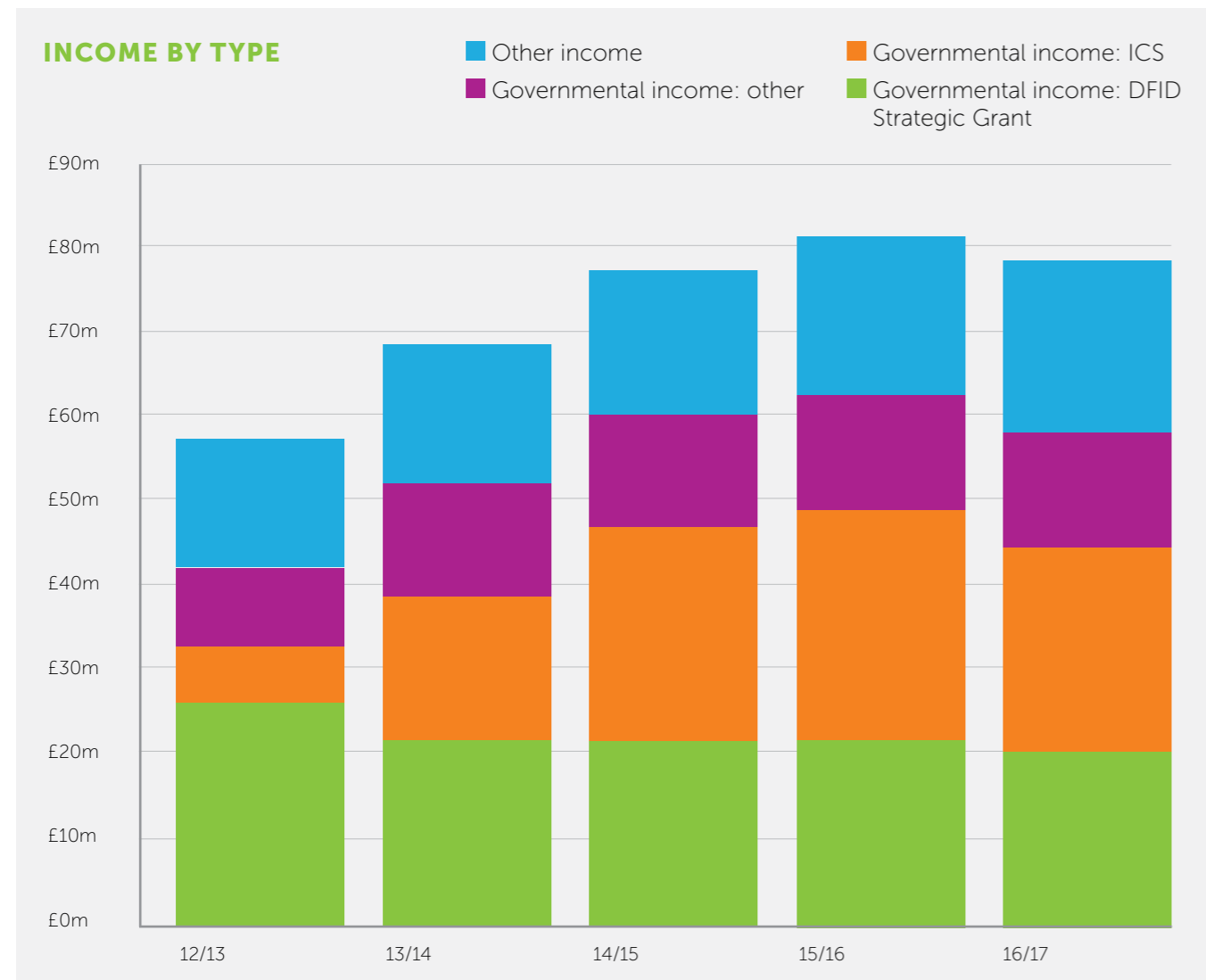
Total expenditure for the year was £76 million.

HOW THE MONEY WAS SPENT 2016/17



INCOME

Income levels remain strong, with reductions in income from DFID largely offset by increases in income from other institutional donors, companies and legacies as we see increasing diversification of our income portfolio.



GOVERNMENTAL INCOME

Income from the strategic grant from the UK Government's Department for International Development (DFID) (£20 million) continued with DFID offering two extensions providing funding of £16.5 million to 31 December and a further £3.8 million to 31 March 2017. From April 2017, VSO will continue its partnership with DFID through an Accountable Grant for the delivery of a three year Volunteering for Development programme.

ICS contract income (£25 million) declined by £1.5 million. ICS is a payment by results contract. The payment point is against each UK volunteer who achieves set stages on their volunteer journey. VSO oversees and manages the contract, working with eight respected development agencies to deliver life-changing impact through UK youth volunteers and their national counter-parts. This was the second year of delivery of the DFID funded ICS 2 contract.

Other (£12 million) – We continue to diversify our income sources and have been successful in securing funds from other government agencies, including USAID, the EU and UN bodies.

OTHER INCOME

Regular givers (£6 million) – Over 41,000 donors gave us a regular gift. Due to insufficient long-term returns and high supporter attrition, we chose to withdraw from door-to-door fundraising activity, and are diversifying the ways we recruit new regular givers.



Bangladeshi farmer Mujibor Rahman, who was supported by VSO and Syngenta's Growing Together project, ploughs his land ready to plant crops.



©VSO / Afr Abdulhain

Appeals – Supporters across the world came together to raise awareness and support the fight in preventing avoidable new-born deaths during Christmas 2016, in our first multi-channel campaign. People shared photos of their first babies, sent messages to new mums and donated over £160,000 to VSO.

Major donors (£0.7 million) – 2016/17 was a landmark year for partnerships with supporters who want to make a significant difference to our work. We successfully closed our Million Hours Fund which raised nearly £1 million, far exceeding its goal to release one million hours of national volunteering. A leadership gift of £1.2 million was also secured towards new Youth Employability programming in Uganda over the next four years.

Events and community (£4 million) – A range of fundraising activities took place in 2016/17, including sporting events, peer-to-peer fundraising by our volunteers, and community events or street collections by VSO supporter groups. Special events included a golf day sponsored by insurance company AXA PPP International, and a carol concert at Central Hall Westminster sponsored by teachers' union, NASUWT, which was attended by 1,700 of our valued volunteers and supporters. £3 million was raised by ICS volunteer fundraising across the consortium, with ICS volunteers raising on average £900 each in their local communities in the UK.

Legacies (£2 million) – In 2016/17 we launched VSO's first legacy event, where former volunteers and donors could find out more about how a gift left in their Will could transform peoples' lives. Legacy income is £1.1 million higher than in the previous year.

A gift in your Will could help make the world a fairer place. For more details on how you can leave a gift to future generations, please contact the team on legacies@vsoint.org or call (+44) 20 8780 7500.

Companies (£5 million) – We continue to work closely with a range of private sector partners to access technical skills through corporate employee volunteering, to attract additional funding, and to develop new approaches to our work. This provided an additional £1.8 million of income compared to 2015/16. VSO has built on our relationships with Accenture, Citi, Randstad, Syngenta, Mondelēz, IBM and Vodafone through our Knowledge Exchange corporate employee volunteering platform to engage companies with the Sustainable Development Goals.

Trusts and Foundations (£1 million) – Significant partnerships across our programmes have enabled us to go further in our core programming, including support from Comic Relief and the Big Lottery in the UK, and internationally from the Mastercard Foundation, Amplify Change, the Stavros Niarchos Foundation, Medicor Foundation, the Pestalozzi Foundation, and the Pharo Foundation.

For more information: Financial statements, note 2 Income analysis

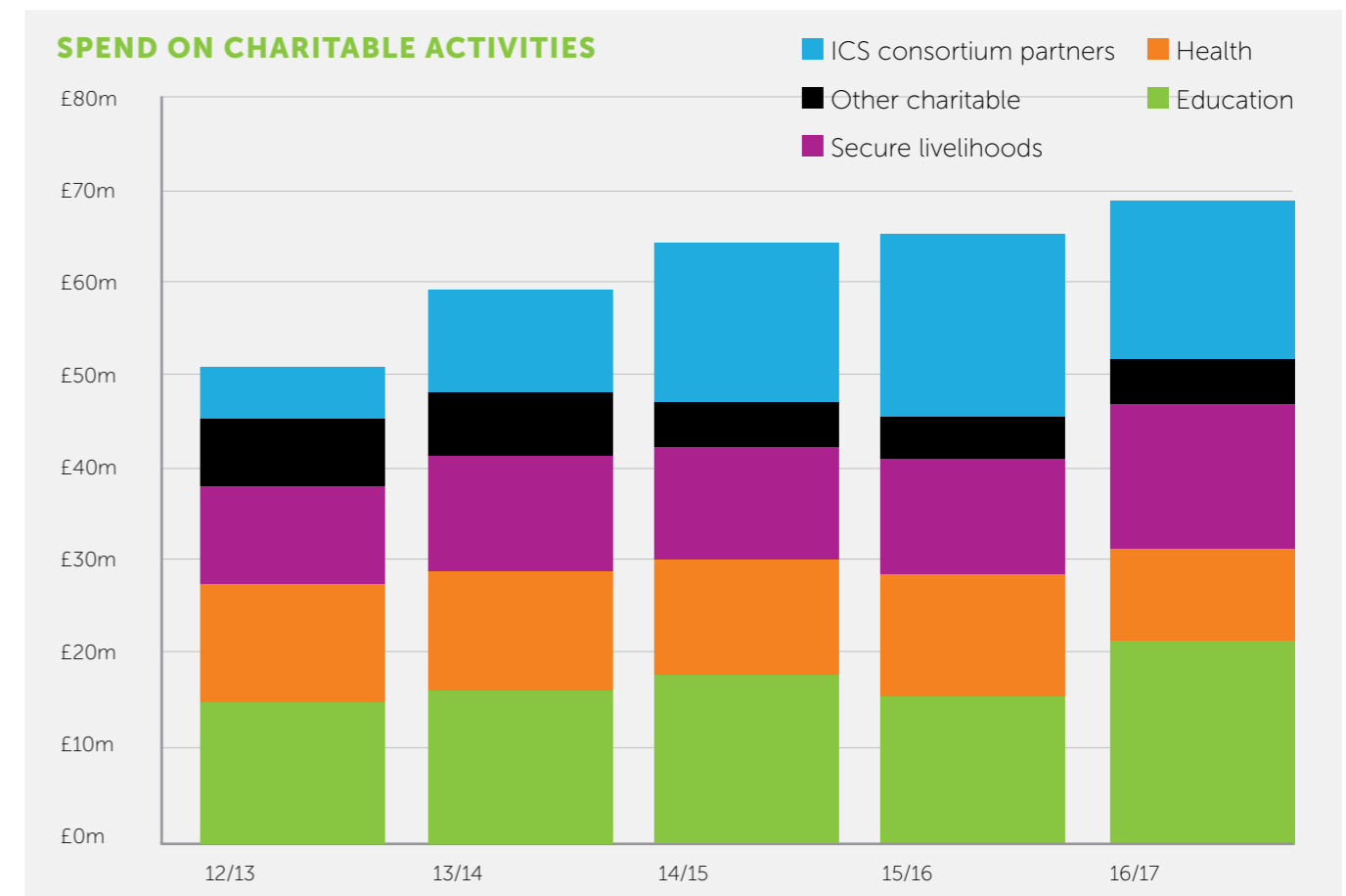
REFLECTION AND LEARNING

- In the past year there has been continued scrutiny of fundraising practices across the sector. VSO continues to tighten procedures, and ensure all new supporters provide explicit consent for future fundraising communications. We will continue our regular donor surveys and keep supporters at the heart of everything we do.
- Increased competition and changing context mean that a number of traditional channels for recruitment of new donors are not performing as well. Therefore we will diversify into new channels and test new ideas.



EXPENDITURE

Charitable activities (£69 million)



Total spend on charitable activities has increased in the five-year period, from 85% in 2012/13 to 92% in 2016/17.

Expenditure on education (£22 million) - is up £6 million on 2015/16. It includes increased spend on delivery of the Unlocking Talent through Technology project in Malawi, the Teacher Education Support project in PNG, and the Tackling Education Needs Inclusively project in Ghana.

Contractual payments to ICS consortium partners (£18 million) - for delivery against the ICS contract have reduced by £1.6 million in 2016/17, consistent with reduced ICS contract income. The ICS contract is presented separately to highlight the different programme areas introduced by consortium partners.

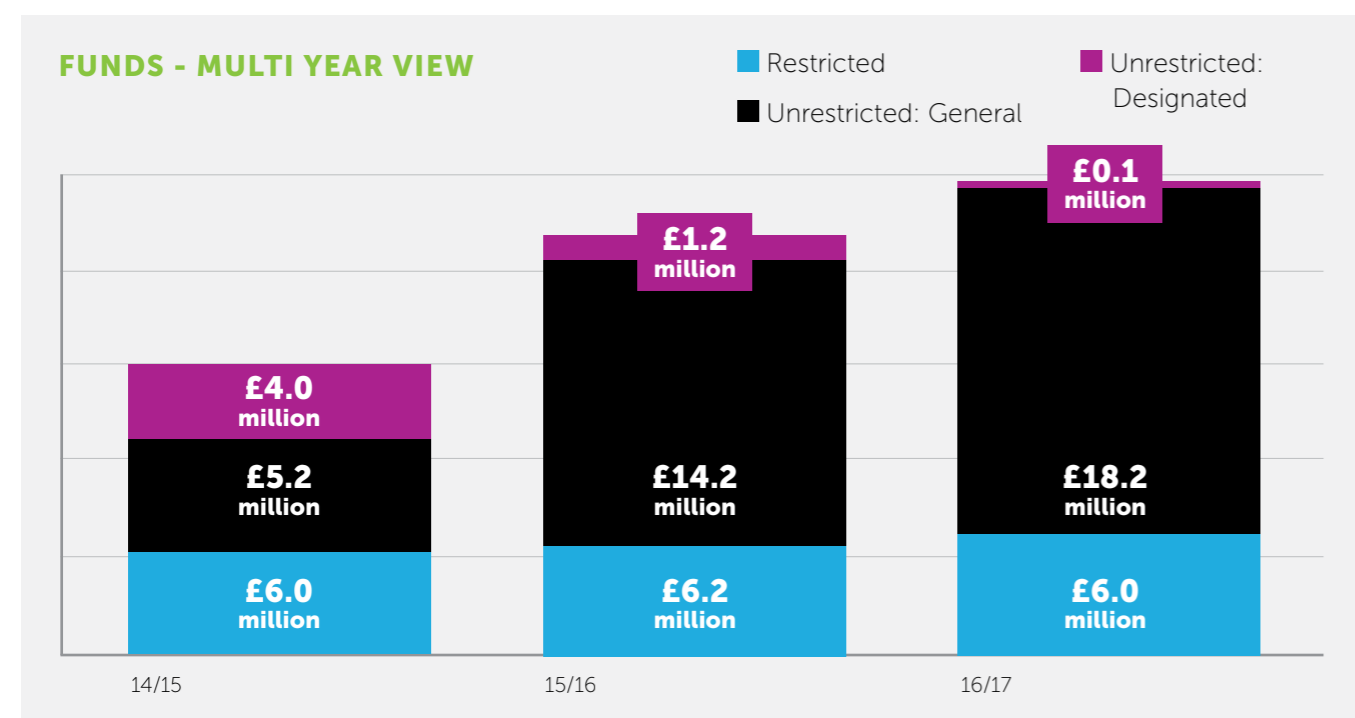
Generating funds (£6 million) - costs of generating income have reduced in the five year period from 12% of total expenditure to 8%. In 2016/17, fundraising costs decreased by £1.1 million, with reduced spend on door-to-door fundraising and a reduction in allocated support costs.

For more information: Financial statements, note 3 Charitable activities

REFLECTION AND LEARNING

- In looking at the future cost profile of VSO and investment of our unrestricted resources we will:
 - Increase the effectiveness of our support functions so it costs us less to deliver programme impact;
 - Create greater flexibility in organisational structure so we can increase and decrease spend much more quickly
 - Rigorously assess the impact on investment of any unrestricted spend.
- Costing of programmes and projects will continue to be a focus in 2017/18, developing understanding of total costs to allow VSO to apply full cost recovery to restricted and contracted income.

RESERVES



VSO's reserves policy prescribes the appropriate level of free reserves that should be immediately available and the actions trustees are expected to take to maintain reserves at an appropriate level. This policy insulates against volatility in income and uncontrollable fluctuations in operating expenditure, to deal with any setbacks, and to give flexibility to take advantage of strategic opportunities.

At 31 March 2017 VSO's free reserves (general fund less pension deficit fund) were £14.1m, £6.6m above VSO's minimum target level of £7.5m. Increasing free reserves was approved by the trustees to ensure the organisation's resilience in light of uncertainty regarding future funding, particularly the end of the strategic grant from DFID. We achieved this increase through cost savings and reduced investment.

Agreement of continued funding by DFID through the Volunteering for Development grant was reached in late 2016/17, giving some certainty for the next three years. This will inform the trustees' quarterly review and their evaluation of the appropriate reserves through 2017/18. A reduction in free reserves is expected over the coming year and into 2018/19.

On 31 March 2017, VSO's free reserves stood at £14 million:

Closing reserves position	15/16 £m	16/17 £m	Variance
Restricted	6.2	6.0	-4%
Unrestricted: general	14.2	18.2	28%
Designated: fixed asset fund	1.4	1.2	-10%
Designated: ICS	2.7	1.8	-34%
Designated: pension deficit	(4.3)	(4.1)	-4%
Designated: change programme	1.4	1.2	-17%
Total Unrestricted + Designated	15.4	18.3	19%
Total Free Reserves	9.9	14.1	43%

The designated change programme fund represents unrestricted funds the trustees have earmarked to deliver the organisational restructure and the shift in cost base required in 2017/18.

The designated ICS fund represents the surplus of income over expenditure relating to the ICS contracts.

The designated pension deficit fund matches the provision recognised for VSO's agreed contributions to the deficit funding arrangement for the Pensions Trust Growth Plan.

For more information:

- Financial statements
 - Note 13 Provisions for liabilities
 - Note 14 Restricted funds
 - Note 15 Unrestricted funds
 - Note 20 Pension costs

INVESTMENTS

The aim of VSO's investment policy is to preserve capital while holding reserves in liquid or near-liquid assets. VSO's policy is to maintain a risk profile with no assets rated less than single A and with no single credit exposure amounting to more than 20% of the total at any time. The International Board reviews the policy annually. VSO's Articles give it the power to invest monies in investments, securities and property as is thought fit, subject to any legal requirements. VSO's finance team reports regularly to the Audit and Risk Committee on the composition of investments held and their maturity profile.

Closing cash and investments position	15/16 £m	16/17 £m	Variance £m
Short-term deposits	11.6	11.8	0.2
ICS working capital advance	5.7	6.2	0.5
Cash at bank: UK	6.7	12.4	5.7
Cash at bank: overseas	2.7	1.5	(1.2)
Total	26.8	31.9	5.1

In line with the increased free reserves, cash in the UK was higher this year end to ensure sufficient funds were held in liquid deposits to allow VSO to respond to significant changes in future funding. As with free reserves, a reduction in cash is expected in 2017/18 with changes in funding impacting on income.

The ICS contract provides a working capital advance for the consortium. This advance is held by VSO and paid on to consortium partners in line with agreed requirements. At 31 March 2017, £6.2 million was held by VSO. This cash is only for use on the ICS contract and will be repaid in full to DFID on completion on the contract.

Cash held overseas has reduced to minimise exposure to risks presented by holding funds in the countries in which VSO operates, and to minimise impact of foreign exchange fluctuations on non-sterling deposits. This has been achieved by close management of the monthly fund transfers to VSO's programme offices.

GRANT-MAKING

Under the terms of the partnership agreements that existed in 2016/17 between VSO and members of the former VSO Federation, ICS consortium partners, and in-country partner organisations, VSO provides funds to such organisations in order to allow them to undertake agreed activities in pursuit of VSO's aims.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

VSO's work towards a world without poverty is inherently risky; this risk is part of our work, especially in fragile and conflict-prone countries. Our trustees recognise that acceptance and management of risk is necessary to achieve our key objectives.

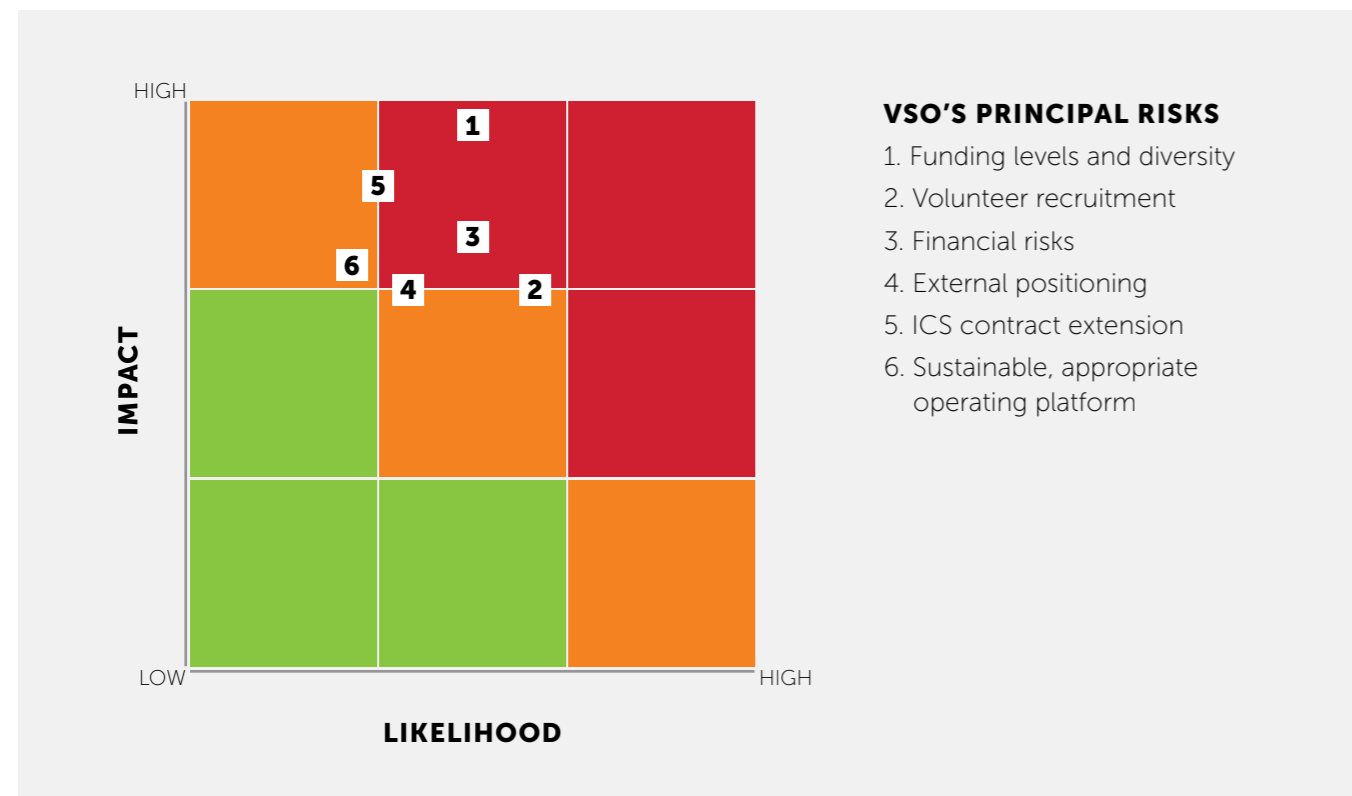
The Audit and Risk Committee ensures effective risk management. This is achieved through review of the risk management strategy, processes and controls.

VSO's risk management strategy supports informed decision-making about risks that could affect our performance and ability to achieve our objectives. The aim is to manage, rather than to eliminate, potential risks and to provide reasonable (although not absolute) assurance against risks.

VSO's risk management includes the following processes and controls:

- The Executive Board considers input from global functions and country offices, and identifies strategic risks
- The risk evaluation is updated quarterly to reflect operational and financial developments, and changes in the external environment. Each risk is analysed according to its perceived potential impact and likelihood of occurring, together with actions that either have been, or will be, taken in mitigation
- A heat map, as below, captures the principal strategic risks
- These risks and mitigating actions are discussed with, and reviewed by, the Audit and Risk Committee and VSO's International Board.

VSO's principal risks as of 31 March 2017 are presented visually in the heat map below, with further details in the following table.



Risk and potential consequences	Management
• Funding levels and diversity	
<p>Unrestricted income is insufficient to invest in organisational growth and guarantee organisational independence.</p> <p>Dependency on a narrow donor base leads to potential income shortfalls.</p>	<p>Controls in place</p> <ul style="list-style-type: none"> • VSO is able to demonstrate strong evidence of value and impact • Strong partnerships in place that enhance credibility and capacity • Fundraising, full cost recovery, budgeting and investment decision-making processes are in place <p>Progress in the year</p> <ul style="list-style-type: none"> • Income pipeline is growing and diversifying • Investment in business development teams in global, regional and country offices <p>Further actions</p> <ul style="list-style-type: none"> • Investment into new fundraising markets around the world • Improved income pipeline analysis allows more targeted investment • Review of business development approach (global, regional, in-country) to assess performance since changes made 12 months ago
• Volunteer recruitment	
<p>Inability to recruit sufficient volunteers weakens our ability to deliver programme impact and undermines our reputation with funders.</p>	<p>Controls in place</p> <ul style="list-style-type: none"> • Appropriate volunteer role design and in-country teams working with global people resourcing team • Demand forecast reviewed on a rolling basis to reveal whether supply is adequate for current demand • Flexible recruitment resource, focused on priority areas <p>Progress in the year</p> <ul style="list-style-type: none"> • Redesigned application form to make it more 'volunteer friendly' • Recruitment key performance indicators added to monthly reporting <p>Further actions</p> <ul style="list-style-type: none"> • Talent pool and volunteer pipeline development and effectiveness reporting
• Financial risks	
<p>Inability to manage financial risks reduces our reserves and undermines our ability to deliver our programme in compliance with donor requirements.</p>	<p>Controls in place</p> <ul style="list-style-type: none"> • Modelling of foreign exchange exposure and cash flow, with regular review by the Audit and Risk Committee • Monthly budgets review and quarterly operational reviews at organisational, departmental, regional and country office level • Internal audits, annual use of VSO's self-audit tool by country offices, and whistleblowing and incident reporting mechanisms <p>Progress in the year</p> <ul style="list-style-type: none"> • Full Finance Manual update in response to findings from internal audits, donor policy requirements, external audit recommendations, and ongoing process review; training for finance and non-finance teams • Update of procurement guidelines; training for each location <p>Further actions</p> <ul style="list-style-type: none"> • Regional development of 'early warning signs' to allow rapid response to emerging financial risks

Risk and potential consequences	Management
• External stakeholders	
Positioning and marketing with external stakeholders does not reflect the value of VSO leading to loss of income opportunities and undermining the delivery of our strategy.	<p>Controls in place</p> <ul style="list-style-type: none"> Marketing strategy and action plan <p>Progress in the year</p> <ul style="list-style-type: none"> Clear articulation of VSO's value proposition, understood and used across the organisation <p>Further actions</p> <ul style="list-style-type: none"> Differentiate priority audiences and develop a marketing plan for connecting with each Agree brand identity defining our look, tone of voice and behaviour Ensure every employee and volunteer knows what it means to 'live the brand'
• ICS contract	
ICS contract targets not met resulting in significant loss of income. Inability to secure timely contract extension with suitable terms.	<p>Controls in place</p> <ul style="list-style-type: none"> Senior ownership of the relationship with DFID and consortium members Contract Management Unit and reporting structures in place to manage pipeline of placements <p>Progress in the year</p> <ul style="list-style-type: none"> Full financial modelling of ICS completed Review of UK volunteer conversion (from marketing to departure) and recommendations being implemented <p>Further actions</p> <ul style="list-style-type: none"> Management of the planned National Audit Office audit
• Operating platform	
The existing operating platform is not affordable or flexible enough to respond to changing external environment.	<p>Controls in place</p> <ul style="list-style-type: none"> Comprehensive project costing process in place to enable full cost recovery on grants VSO financial model provides clarity on where money is being spent, benchmarked to external organisations <p>Progress in the year</p> <ul style="list-style-type: none"> All aspects of our operating platform reviewed to identify how we can reduce costs and improve effectiveness and adaptability <p>Further actions</p> <ul style="list-style-type: none"> Complete organisational restructure to deliver a more affordable and effective structure that maximises resources for programme delivery Simplification of financial processes across the organisation to optimise use of VSO resources

SAFETY, SECURITY AND MEDICAL

Safety, security and medical incidents at VSO are defined as crisis events, critical events or incidents in order of severity.

Safety and security incidents reported 2016/17	Crisis ¹	Critical	Incident	Total
VSO total	0	2	73	75
ICS contract – VSO delivery (subtotal of VSO total)	0	2	31	33
ICS contract - sub-contracted agencies	3	8	165	176

Medical incidents reported 2016/17	Crisis ¹	Critical ²	Incident ²	Total
VSO total	1	8	673	682
ICS contract – VSO delivery (subtotal of VSO total)	0	4	571	575
ICS contract - sub-contracted agencies	0	10	Unknown *	Unknown *

NOTES:

- All crisis incidents are reviewed by an external advisor. The VSO Security Committee reviews findings and decides if programme delivery work can continue, dependant on local conditions and available mitigation measures.
- Major medical incidents are classified as critical incidents, and minor medical incidents as incidents.
- Medical support provided by third parties or other ICS sub contracted agencies is not reported.

People working for VSO and ICS sub-contracted agencies are encouraged to report anything they believe should be recognised as an incident. This might include civil unrest near to volunteer locations, or potentially hazardous environmental conditions. ICS sub-contracted agencies report all security incidents and any serious medical incidents to VSO; serious incidents occurring within VSO and ICS are reported to our donors as they happen. After the event, serious incidents are thoroughly investigated to continuously improve our systems. We respond fully to internal and external incident reviews by demonstrating the validity of existing measures and to identify areas of improvement. We follow the guidelines and definitions of the Charity Commission in our reporting of serious incidents to them.



A premature baby is given essential skin on skin care by his mother at a VSO supported Neonatal Intensive Care Unit at Lira Regional Referral hospital, Uganda.

©VSO / Peter Caton

STRUCTURE, GOVERNANCE AND MANAGEMENT

As part of our renewed People First strategy, VSO has simplified our governance and organisational structure.

Governance structure

Our federated structure ended in 2015/16. In 2016/17, VSO has operated directly through branch offices in Kenya and the Philippines. On 31 January 2017, VSO Ireland, a member of the former VSO federation, was acquired by VSO International. No consideration was paid by VSO International, and the gift is recognised as income in the year.

Organisational structure

We have reduced senior management and simplified our programme structure. We continue to ensure that it costs us less to deliver programme impact. Organisational change that began in 2016/17 will continue in 2017/18. It will reduce activity and costs where there is no programme or strategic financing to support them, establish clear links between support costs, agreed programme financing and the delivery of our strategy, and rigorously assess the return on investment of unrestricted spend.

OUR STRUCTURE

Voluntary Service Overseas (VSO) is registered as a charity in England and Wales and as a Scottish cross-border charity, registration number SCO39117. VSO's activities in Scotland are the same as those carried out in England and Wales. As required by the Office of the Scottish Charity Regulator, VSO is reporting on its Scottish activities as an integral part of this report.



OUR GOVERNANCE AND MANAGEMENT

VSO is governed by its International Board of Trustees. The International Board sets the strategic direction for VSO and ensures we meet our objectives. It oversees governance and is responsible for upholding the organisation's values. Some tasks of the International Board are delegated to sub-committees and ad hoc committees. Sub-committees are required to report back at each International Board meeting.



VOLUNTARY WORKFORCE

Volunteers are a distinctive part of VSO's approach to development. They also contribute to the systems which help us deliver programmes.

This year 450 people globally contributed over 15,000 hours across a range of activities: facilitating events, selecting volunteers, undertaking research, speaking about VSO's work, auditing, and moderating online learning and support.

We appreciate them all.

APPROACH TO REMUNERATION

To deliver our mission, VSO needs to attract high quality, committed people who can drive organisational performance. VSO's pay philosophy is based on the principles of fairness, internal equity and external competitiveness. We believe that while all employees should be compensated fairly for their role, remuneration is not the main driver of performance and innovation. VSO does not operate a bonus scheme. The remuneration framework sets out pay bands clearly and is openly available to all employees. This supports VSO's aim of fostering and promoting fairness and teamwork.

To ensure internal equity, VSO considers:

- Job purpose – the scope, depth and difficulty of the work
- The level of engagement with others - communicating and connecting with others
- Delivery - level of planning and organising necessary to successfully execute role, and how the role fits within the team or function.

External competitiveness is achieved by benchmarking salaries against actual pay for similar positions.

GENDER PAY REPORTING FOR UK EMPLOYEES

UK gender pay reporting regulations came into effect from 2017, requiring the reporting of differences in the average and median pay between men and women, and the gender distribution at different levels of remuneration.

- Median: the median female employee (half of the women earn more and half earn less than her) is paid 4.47% lower than the median male employee.
- Mean: the average female employee earns 5.94% less than the average male employee.

UK GENDER DISTRIBUTION BY LEVEL OF REMUNERATION

Remuneration quartile	Percentage of male employees (UK)	Percentage of female employees (UK)
4th Quartile (upper)	50%	50%
3rd Quartile	34%	66%
2nd Quartile	37%	63%
1st Quartile (lower)	33%	67%

VSO is proud to report that our gender pay gap is below the national average of 18.1% at the median for all employees (9.4% for full-time employees only).

VSO guarantees equal pay for men and women in the same roles. This is achieved by external benchmarking of salaries per role (as opposed to job holder) every year against other organisations in all the countries we operate in. Roles are reviewed internally to ensure consistency between comparable positions. The job holder's personal qualities (such as gender and age) are purposefully excluded from this exercise.

The gender pay gap at VSO is mainly explained by two factors:

- VSO's population is 60% female and we only reach an even (50/50) distribution of gender in the top quarter when we list our employees in order by level of pay.
- Gender distribution among fields of expertise: Business Development and Human Resources are traditionally less competitive and lower-paid fields of work and, therefore, generate lower benchmark figures. In the UK these areas of work have tended to attract more women. There is a more competitive and higher paid market for Finance and IT, which traditionally tend to attract more men.

PAY POLICY FOR KEY MANAGEMENT PERSONNEL

The key management personnel at VSO are the trustees who make up the International Board and the executive team members who make up the Executive Board.

All trustees serve VSO voluntarily. They do not receive any employee benefits and receive payment only for reimbursement of out-of-pocket expenses. See note 5 in the financial statements.

The remuneration levels, pay and benefits for the Executive Board members are determined by the International Board of Trustees, through the governance sub-committee, in line with the approach to remuneration detailed above. The total cost to VSO for remunerating the Executive Board is currently £513,000.

EQUAL OPPORTUNITIES

VSO is committed to the principle of equal opportunities and diversity. We aim to treat employees, volunteers and applicants for jobs fairly, and ensure they are recruited, trained and promoted solely on the basis of their abilities. We value their right to dignity at work.

VSO does not tolerate bullying, discrimination, harassment or any other form of unwanted behaviour, whether based on age, caste or class, civil partnership status, disability, ethnic or national origin, HIV status, marital status, political or religious beliefs, pregnancy, race, sex, sexual orientation, spent convictions of ex-offenders, trade union activity or transgender status. This is reinforced in our Code of Conduct, the framework that all employees and volunteers must engage with and adhere to.

VSO strives constantly to create a productive environment, representative of, and responsive to, different cultures and groups, where everyone has an equal chance to succeed at all levels. VSO ensures we have an appropriate level of disability awareness and make reasonable adjustments in the workplace to help people with disabilities achieve their career potential and access volunteering opportunities. VSO is committed to ensuring that all employees and volunteers understand social inclusion and gender issues. During 2016/17 we invested in exploring inclusive practices, providing time for discussion and reflection on how the many forms of discrimination - unequal power relations, gender, and ethnic affiliation - can perpetuate poverty. This increases the alignment between our programming approach and our internal practice on equal opportunities.

SAFEGUARDING

Protecting children, young people and vulnerable adults from harm is central to achieving our mission of ending global poverty.

We are committed to ensuring that people who work with our organisation are free from any abuse or exploitation. Everyone who comes into contact with any person associated with VSO should at all times feel respected and safe. To enforce this, VSO's global safeguarding policy has a range of measures and systems to prevent any form of abuse. We have clear procedures for disciplinary action if this policy is breached. We have trained designated safeguarding officers in each of our offices and have a thorough process for reporting concerns. We undertake continuous learning to understand safeguarding issues and concerns.

ENGAGEMENT AND REPORTING

VSO engages with and provides information to its employees through the VSO intranet and organisation-wide emails, online discussions and learning sessions. Employees, through their union representatives, are consulted

on issues that affect them. VSO's annual You First survey monitors levels of engagement among employees and volunteers.

Policies and procedures are in place for the health and safety of our people, and we maintain incident-reporting mechanisms. Concerns can be raised through our complaints and grievance procedures. VSO encourages all employees and volunteers and external parties with serious concerns about any aspect of VSO's work or suspicions about criminal practices to follow our whistleblowing process. To strengthen this we have refreshed our online criminal practices and whistleblowing training so the process of reporting is fully understood.

FUNDRAISING

The Charities (Protection and Social Investment) Act 2016

- We are a proud member of the Fundraising Regulator and the Institute of Fundraising, actively following their codes of fundraising conduct.
- In our recruitment and retention of supporters we used the following channels in 2016/17: press and inserts, direct mail, telemarketing, door-to-door fundraising, email communications, and video and digital advertisement.
- Professional fundraisers were used in a number of activities. The majority of our recruitment of new supporters in 2016/17 came from door-to-door activity with agencies APPCO and HOME. Results were closely monitored on a weekly basis with status calls. We shadowed the fundraisers to better understand how they work in the field. Several welcome calls were sent every two weeks, which were listened to by the VSO team. Feedback was then sent back to the team, and amendments made to practices. We held regular refresher workshops to ensure fundraisers were well informed about VSO and our work. We also used telemarketing agency Ethicall, which is accredited by a number of organisations including the Living Wage Foundation, the DMA and the Good Shopping Guide. Ethicall donates 25% of their post-tax profits back to charity. It carries out substantial training of its callers, including a training session that VSO leads for all callers on the campaign. Calls are regularly monitored by both Ethicall and VSO, and we aim to listen to a minimum of 1% of all calls with VSO providing regular feedback to the agency.
- VSO and all our agencies have vulnerable people policies. All our agencies run regular training to ensure that there is not unreasonable intrusion on a person's privacy, to protect vulnerable people, and to ensure no undue pressure is given.
- We see complaints as extremely valuable. Complaints are used by VSO to help improve our systems and processes internally, as well as the work undertaken for us through external agencies. In 2016 VSO received 126 complaints relating to our fundraising activities. We continue to monitor all fundraising complaints in accordance with the Fundraising Regulator and report to the regulator annually. Complaints are logged and responded to within one working day and all 2016 complaints were fully resolved in a timely manner.



2 year old Laxmi and her brother waiting for a medical check-up from VSO volunteer, Dr Lynch. They have been living at the Internally Displaced Camp in Alchidada, Nepal since the 2015 earthquake destroyed their home.

VSO's 'Phoning Out Poverty and AIDS' (POPA) project in Maputo, Mozambique, is enabling widowed women like Maria Jacinto to set up phone credit businesses to help support their families.



©VSO/ Mouto Carlos Machili

INTERNATIONAL BOARD

There is a full list of decisions reserved for the International Board in VSO's Schedule of Delegation. The International Board approves and monitors implementation of VSO's long-term strategy, operational plan, objectives and budget, key policies, constitutional changes and the appointment of the chief executive.

The International Board receives management information from the Executive Board formally each month. The International Board meets regularly – three times a year in person and four times a year via telephone.

TRUSTEES

Trustees are usually appointed to the International Board for an initial period of three years, which can be extended for a further three-year period. Trustees are not remunerated, but their expenses are reimbursed in accordance with VSO's expenses policy.

Trustees are recruited through an open selection process. They receive a comprehensive induction on appointment, and ongoing training and engagement throughout their term of office. They participate in field visits to VSO programmes, and act as expert advisers to VSO working groups. This year all trustees received formal training on trustees' duties and recent challenges to charities, and formally re-examined the questions the Charity Commission suggests all trustees should ask themselves.

Review of the performance of the International Board is a continuous process. Feedback is requested by the vice-chair and received after each board meeting and this contributes to the planning of the next meeting. There is an annual self-evaluation and each third year this is carried out by an independent body. Individual trustees make annual commitments to VSO over and above their responsibilities as directors and members.

INTERNATIONAL BOARD OF TRUSTEES



Mari Simonen * Chair

Member of the Independent Audit and Oversight Committee of the UN Refugee Agency (UNHCR), member of the Board of Population Action International.



Stephen Pidgeon ^

Founder of marketing agencies Tangible and Brightsource; fundraising speaker, teacher, consultant, author and conference presenter.



Sam Younger CBE * Vice Chair

Chair of CILEx Regulation, council member of the Advertising Standards Authority, public interest observer at the Chartered Institute of Taxation.



Dr Noerine Kaleeba

Patron and founder TASO Uganda, vice chair Uganda National Health Research Organisation, vice chair Uganda National Health Research Organisation Board, chief executive officer Nnabagereka Development Foundation.



John Bason ^ Honorary Treasurer

Finance Director, Associated British Foods plc, UK, non-executive director of Compass Group plc, chairman of Fareshare, UK; worked as a VSO volunteer in Ghana.



Hardeep Jhutti

NHS Improvement, responsible for overseeing foundation trusts and NHS trusts, as well as independent providers that provide NHS-funded care.



Amanda Rowlatt CBE *

Senior civil servant.



Anjali Sen ^

Regional director, International Planned Parenthood Federation, South Asia region, India. Acting director external relations, IPPF Central office, London



Baroness Hilary Armstrong

Baroness Armstrong of Hilltop, Member of the House of Lords, worked as a VSO volunteer in Kenya, ex-member of VSO's Parliamentary volunteer scheme in Tanzania.



Chris Merry ^

Chief executive officer, Ipes Group



Charles Abani

Chief of Party of the USAID Civil Society project – Strengthening Advocacy and Civic Engagement (Appointed to the Board on 20 March 2017)



Independent International Board sub-committee members as at 31 March 2017

Jose Gonsalves ^

* Governance Committee member ^ Audit and Risk Committee member



EXECUTIVE BOARD

The International Board delegates VSO's day-to-day management to the chief executive and the Executive Board. The Executive Board has operational oversight of VSO's global work. Each member is responsible for an area of VSO's global operations: programmes, business development, people and organisational development, and finance and corporate services.

The Executive Board meets weekly to oversee implementation of strategic and operational activity, allocate resources, set and monitor standards, and determine core approaches to how VSO works. The Executive Board formally reviews achievements against VSO's development, operational and financial objectives quarterly, in collaboration with senior employees across the organisation.

THE EXECUTIVE BOARD AS AT 31 MARCH 2017



Dr Philip Goodwin
Chief Executive

"I was a volunteer in Timbuktu, Mali. Working alongside community farmers in such a remote part of the world taught me so much. It's why I feel so privileged to be able to lead VSO today."



Donné Cameron
Executive Director of Programmes

"Volunteering as a young graduate in South Africa inspired my personal passion for social justice and my decision to pursue a career in development."



Kathryn Gordon
Executive Director of People

"I feel energised and humbled to be part of the team leading and supporting volunteering for wider global development and am amazed and fascinated by those who choose to step in and volunteer."



Andrew Webb
Executive Director of Business Development

"After volunteering as a public health engineer in Tanzania, the way I saw the world and what I thought I could contribute was forever changed."



Fabienne Arminjon
Executive Director of Finance –
joined May 2017

"I have volunteered in India, Sri-Lanka, Haiti and France; working with communities to help shape a better future inspires me. I feel privileged to use my professional skills to contribute to lifting people out of poverty."

FORMER MEMBERS OF THE EXECUTIVE BOARD



Graham Loader
Executive Director of Finance and Corporate Services – resigned December 2016

VSO'S SUBSIDIARIES

VSO's subsidiary companies and branch offices are operated and managed in a similar way, with delegated authority to the individuals in the company or branch in accordance with VSO's Schedule of Delegations and ultimately reporting to the chief executive. Where local regulations require resident national members or directors to have legal control, they are duly selected, inducted, and trained. Their contributions are invaluable to VSO and bring local perspective to governance.

REFERENCE AND ADMINISTRATIVE DETAILS

Charity name: Voluntary Service Overseas (VSO)
Charity registration: 313757 (England and Wales), SC039117 (Scotland)
Company registration: 703509
Registered office: 100 London Road, Kingston upon Thames KT2 6QJ
Company secretary: Jenny Owen

OBJECTS

VSO's objects, for which the charity was established, are to:

- advance education and aid the relief of poverty in any part of the world
- promote the effective use of resources for the purpose of advancing education or relieving poverty in any part of the world
- promote the voluntary sector.

PUBLIC BENEFIT

VSO sets out how we will work towards achieving our objectives through our strategy and operational plan. The strategy was revised in 2016/17 and our operational plan is reviewed annually. Our strategy ensures we provide public benefit by adhering to guidance published by the Charity Commission on the Public Benefit requirement under the Charities Act 2011. By monitoring performance, in line with our strategy and operational plan, our Executive Board members and trustees ensure that we continue to deliver our objectives while benefiting the public.

Governing document: Voluntary Service Overseas Limited is governed by its Articles of Association.

Royal patron: HRH The Princess Royal

Principal bank: Barclays Bank plc, 1 Churchill Place, Canary Wharf, London E14 5HP

Auditors: Crowe Clarke Whitehill LLP, St Bride's House, 10 Salisbury Square, London EC4Y 8EH

FOR MORE INFORMATION:

Website: www.vsointernational.org

Facebook: www.facebook.com/vso.international

Twitter: www.twitter.com/VSO_Intl

Instagram: www.instagram.com/vsointernational

YouTube: www.youtube.com/user/vsointernational

Have a question or feedback?

Tel: (+44) 20 8780 7500 Email: enquiry@vsoint.org

A class of students at Misemwa Primary School, Bungoma, practice Kenyan Sign Language as part of the ICS Deafway project.



FINANCIAL STATEMENTS

Statement of trustees' responsibilities

The charity trustees (who are also the directors of VSO for the purposes of company law) are responsible for preparing a trustees' annual report and financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

Company law requires the charity trustees to prepare financial statements for each year, which give a true and fair view of the state of affairs of the charitable company and the group, and of the incoming resources and application of resources, including the income and expenditure of the charitable group for that period.

In preparing the 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 2016
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and the group 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 charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT ON DISCLOSURE TO OUR AUDITORS

In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board of Trustees



Mari Simonen, Chair
6 July 2017

INDEPENDENT AUDITOR'S REPORT

to the members and trustees of VSO

We have audited the financial statements of VSO for the year ended 31 March 2017 which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)

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 and to the charitable company's trustees, as a body, in accordance with section 44(1c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's trustees and 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic report and the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report and Strategic report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us
- the financial statements are not in agreement with the accounting records and returns
- 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.

N. Hashemi

Naziar Hashemi

Partner

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

19 July 2017

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

CONSOLIDATED STATEMENT

of financial activities for the year ended 31 March 2017

Income and Expenditure	Note	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Unrestricted funds £'000	Restricted funds £'000	Total 2016 £'000
Income from:							
Donations and legacies	2						
Strategic grant from Department for International Development		20,300	-	20,300	22,000	-	22,000
Contributions from governmental bodies		24,761	11,655	36,416	26,263	15,299	41,561
Other grants, donations and legacies		8,899	7,911	16,810	7,650	6,182	13,833
Other trading activities	2						
Community projects, events and volunteer fundraising		3,592	37	3,629	407	3,198	3,605
Income from lettings		183	7	190	101	1	102
Bank interest and investments		132	-	132	131	-	131
Gift of VSO Ireland	9	953	-	953	-	-	-
Total income		58,820	19,610	78,430	56,552	24,680	81,232
Expenditure on:							
Raising funds		6,074	-	6,074	7,213	-	7,213
Charitable activities	3						
Education		13,007	8,857	21,864	7,409	8,330	15,739
Health		6,726	3,805	10,531	5,789	6,957	12,746
Livelihoods		8,219	5,791	14,010	6,202	7,559	13,761
Core approaches		3,298	1,407	4,705	2,241	1,548	3,789
ICS consortium contracts		18,378	-	18,378	20,049	-	20,049
Interest payable and similar costs	20	85	-	85	53	-	53
Total expenditure		55,787	19,860	75,647	48,956	24,394	73,350
Net income	4	3,033	(250)	2,783	7,596	286	7,882
Actuarial (losses) on defined benefit pension scheme	20	(126)	-	(126)	(1,370)	-	(1,370)
Net movement in funds		2,907	(250)	2,657	6,226	286	6,512
Reconciliation of funds							
Total funds brought forward		15,383	6,246	21,629	9,157	5,960	15,117
Total funds carried forward		18,290	5,996	24,286	15,383	6,246	21,629

All amounts relate to continuing activities
The notes on pages 51 to 68 form part of these financial statements.

BALANCE SHEETS

as at 31 March 2017

	Note	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Fixed assets					
Tangible assets	8	1,245	1,388	1,235	1,388
Investments	9	-	-	953	-
Total fixed assets		1,245	1,388	2,188	1,388
Current assets					
Debtors	10	10,459	10,633	10,940	11,228
Short-term cash deposits		11,752	11,599	11,000	11,000
Cash at bank and in hand:					
ICS working capital advance (UK)		6,206	5,737	6,206	5,737
In the UK		12,436	6,704	11,525	6,704
Overseas		1,490	2,744	1,484	2,744
Total current assets		42,343	37,418	41,155	37,414
Liabilities					
Creditors: amounts falling due within one year	11	(6,983)	(4,108)	(6,809)	(4,104)
Net current assets		35,360	33,310	34,346	33,310
Total assets less current liabilities		36,605	34,698	36,534	34,698
Creditors: amounts falling due after one year	12	(7,839)	(8,200)	(7,839)	(8,200)
Provisions for liabilities	13	(4,480)	(4,869)	(4,480)	(4,869)
Total net assets		24,286	21,629	24,215	21,629
Funds:					
Restricted income funds	14,16	5,996	6,246	5,996	6,246
Unrestricted funds:					
Designated funds					
Pension deficit repayment plan fund	15,16	(4,102)	(4,293)	(4,102)	(4,293)
Change programme fund	15,16	1,203	1,443	1,203	1,443
ICS fund	15,16	1,755	2,677	1,755	2,677
Fixed asset fund	15,16	1,245	1,388	1,236	1,388
General fund	15,16	18,189	14,168	18,127	14,168
Total unrestricted funds		18,290	15,383	18,219	15,383
Total funds		24,286	21,629	24,215	21,629

The notes on pages 51 to 68 form part of these financial statements.
The financial statements were approved by the Board of Trustees and authorised for issue on 6 July 2017.



John Bason, Honorary Treasurer on behalf of the trustees

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Net cash provided by operating activities		4,990	9,350
Cash flows from investing activities			
Purchase of investments	9	958	-
Purchase of property, plant and equipment	8	(847)	(999)
Net cash used in investing activities		111	(999)
Change in cash and cash equivalents in the reporting period		5,101	8,351
Cash and cash equivalents at the beginning of the reporting period		26,784	18,432
Total cash and cash equivalents at the end of the reporting period		31,885	26,784
Reconciliation of net income to net cash flow from operating activities			
Net income for the reporting period		2,783	7,882
Depreciation charges	8	987	1,285
(Gain) on investments	9	(953)	-
Decrease in debtors	10	174	462
Increase/ (decrease) in creditors falling due within one year	11	2,875	(8,065)
(Decrease)/ increase in creditors falling due after more than one year and provisions	12,13	(750)	9,156
Amounts related to the defined benefit pension scheme included within the statement of financial activities	20	(126)	(1,370)
Net cash provided by operating activities		4,990	9,350
Analysis of cash and cash equivalents			
Cash at bank and in hand		20,133	15,185
Short-term cash deposits		11,752	11,599
Total cash and cash equivalents		31,885	26,784

NOTES FORMING PART OF

the financial statements for the year ended 31 March 2017

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2016) – Charities SORP (FRS 102), the Charities Accounts (Scotland) Regulations 2006 and the Companies Act 2006. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes(s).

The charity meets the definition of a public benefit entity under FRS 102.

The accounts have been produced on the going concern basis. There are no material uncertainties about the charity's ability to continue.

Group financial statements

The consolidated financial statements incorporate the financial statements of the charity and its subsidiary undertakings (the group). The results of the subsidiary undertakings have been included line by line in the statement of financial activities. Balances and transactions between the charity and its subsidiary undertakings are eliminated on consolidation. The overall results of the group are materially the same as those of the parent charity, therefore the charity has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 in not presenting its own statement of financial activities in these financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

There is an ongoing review of estimates and underlying assumptions. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

- Pension liabilities – The charity recognises its liability to its defined benefit multi-employer pension scheme, which involves a number of estimations as disclosed in note 20.

In the view of the trustees, no other assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

Fund accounting

Reserves policies are given on page 29 of the financial review. Reserves are either unrestricted or restricted funds. Restricted funds represent income to be used for a specific purpose as requested by the donor. Income and expenditure on these funds are shown separately within the statement of financial activities.

Unrestricted funds are those that have not had a restriction placed on them by the donor and are available to spend on activities that further any of the purposes of the charity. Designated unrestricted funds are those which the trustees have decided at their discretion to set aside to use for a specific purpose (see note 15).

Income

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

Contracted funds constitute the income generated via the provision of a service. Where a contract activity extends for a period exceeding one year these are treated as long-term contracts. Income is accounted for as unrestricted and any excess of income over expenditure during the life of the contract is shown as designated funds until the completion of the contract (see notes 14 and 15).

For restricted grants, where income is related to performance or actual expenditure of the grant, entitlement is either the charity having incurred the expenditure to which the grant relates, or the grant having been received, whichever occurs earliest.

For legacy income, recognition is the earlier of probate being granted, the estate being finalised, or a distribution being received. Entitlement to legacy income is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where the criteria for income recognition have not been met, legacy income is treated as a contingent asset and disclosed if material (see note 10).

Pro bono services and gifts in kind for use by the charity are valued at the estimated value to the charity. Gift aid recovered on donations is treated as part of the related gift unless specified otherwise by the donor or in the terms of the appeal.

Expenditure and basis of allocation of costs

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 on raising funds includes the salaries, direct expenditure, and overhead costs of the staff in the UK and other countries where we work who are engaged in fundraising activities, including negotiating grants for operational programmes and organising fundraising events.

Under Charities SORP (FRS 102), VSO has chosen to report its charitable expenditure by the three thematic areas and the core approaches set out in its strategic plan. Where possible, resources expended have been allocated directly to the relevant areas. Support costs, which are those functions that assist the work of the charity but do not directly undertake charitable activities, have been allocated to the thematic areas and core approaches on the basis of employee full time equivalent numbers.

ACCOUNTING POLICES (NOTE 1) CONTINUED

The costs of recruiting, selecting and training volunteers, matching them to a suitable placement and supporting them while in their placement and on their return are included in other direct costs (see note 3). Other direct costs also include the cost of programme management and development and other programme inputs, such as workshops and study visits.

Grants and consortium payments

Cooperation agreements with some of the former VSO Federation members have provided for continued funding for agreed activities in line with VSO's mission. Also included under this heading are contract payments made to the consortium partners of the ICS Programme. These grants and contract payments are recognised as expenditure in the year they are due.

Taxation and irrecoverable VAT

VSO is a registered charity and as such, is potentially exempt from taxation of its income and gains to the extent that they fall with the charity exemptions in the Corporation Taxes Act 2010 or Section 256 Taxation of Chargeable Gains Act 1992. No tax charge has arisen in the year. No tax charge has arisen in other subsidiaries, including our non-charitable subsidiary due to its policy of gifting all taxable profits to VSO each year.

In common with many charities, VSO is unable to recover the majority of VAT that is incurred on purchases of goods and services in the UK. Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

Pension costs

Pension contributions paid by the charity in respect of employees to a defined contribution scheme are charged to the statement of financial activities when they become payable (see note 20).

Pension contributions paid by the charity in respect of employees to a defined benefit, multi-employer scheme are charged to the statement of financial activities when they become payable. This is in line with FRS 102 requirements for multi-employer schemes where the assets are co-mingled for investment purposes, and benefits are paid out of the scheme's total assets (see note 20). A provision has been recognised for the present value of VSO's contribution to the agreed deficit reduction plan (see notes 13 and 20 for further details).

Foreign exchange transactions

Foreign currency transactions are translated at the rate of exchange ruling at the dates of the transaction. Foreign currency balances, are translated into sterling at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the statement of financial activities.

Operating leases

Rentals are classified as operating leases where the title remains with the lessor and the assets are used for less than expected economic life. Operating lease payments and any related lease incentives are charged to the statement of financial activities on a straight line basis over the term of the lease.

Income from the sub-letting of office space is also accounted for on a straight line basis over the term of the lease, adjusted for lease incentives where applicable.

Tangible fixed assets and depreciation

Tangible fixed assets costing more than £500 are capitalised and included at cost, including any incidental expenses of acquisition.

Depreciation is provided to write off the cost of tangible fixed assets over their estimated useful economic lives on a straight line basis as follows:

Assets held in the UK		Length of the lease
Leasehold improvements		5 years
Furniture, equipment, fixtures and fittings		4 years
Computer equipment		
Assets held overseas		Fully in the year of acquisition
All categories		

The trustees consider it prudent to fully depreciate equipment and motor vehicles purchased for use outside of the UK in the year of acquisition, in view of the uncertainty of conditions in the operating environment. It is the charity's policy to record these assets as disposals after three years.

Investments

The only investments VSO currently holds are in its subsidiary companies:

100% shareholding in VSO Trading Limited	Stated at cost
100% ownership of VSO Ireland	Stated at cost
100% shareholding in Beijing VSO Consulting Company Limited	Stated at its expected future value

Realised gains and losses are shown in the statement of financial activities.

Short-term deposits are held when cash in hand temporarily exceeds operational requirements.

Financial instruments

VSO 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 the present value of future cash flows (amortised cost).

Financial assets held at amortised cost comprise cash at bank and in hand, short-term cash deposits and the debtors excluding prepayments and accrued income.

Financial liabilities held at amortised cost comprise the short- and long-term creditors excluding deferred income and accrued expenditure.

No discounting has been applied to these financial instruments on the basis that the periods over which amounts will be settled are such that any discounting would be immaterial.

At the balance sheet date the charity held financial assets at amortised cost of £36.4m (2016 £32.3m) and financial liabilities at amortised cost of £11.9m (2016 £10.8m).

Provisions

Provisions are recognised where VSO has a present obligation resulting from a past event that will probably result in the transfer of funds to a third part, and the amount due to settle the obligation can be estimated reliably. A provision is recognised where there is uncertainty regarding the timing or the amount (see note 13). Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

2 INCOME ANALYSIS

a. Contributions from governmental bodies

Contributions from governmental bodies are defined as income from public institutional agencies, including those where the contribution is funded by government agencies.

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
Department for International Development				
Core strategic grant	20,300	-	20,300	22,000
Other income	24,761	1,281	26,042	31,588
Australian Department for Foreign Affairs and Trade	-	1,448	1,448	1,410
British Council	-	262	262	377
European Union	-	1,445	1,445	1,361
Irish Aid	-	312	312	371
National Department of Education Papua New Guinea	-	1,603	1,603	808
Norwegian Embassy	-	777	777	567
Scottish Government	-	431	431	626
Sweden / Norad	-	666	666	835
Swiss Development	-	824	824	1,185
UN Agencies	-	1,796	1,796	1,208
USAid	-	602	602	886
Other public funding	-	208	208	339
	45,061	11,655	56,716	63,561

b. Other grants, donations and legacies

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
Big Lottery Fund	-	542	542	571
Comic Relief	-	780	780	734
Companies	539	4,243	4,782	2,974
Cuso International	-	129	129	69
Gifts in kind and pro bono services	545	-	545	496
Individuals	5,941	39	5,980	6,016
Legacies	1,776	-	1,776	663
Major donors	1	695	696	488
Other charitable organisations	7	202	209	884
Trusts and foundations	82	1,279	1,361	851
Other	8	2	10	87
	8,899	7,911	16,810	13,833

c. Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
Community projects	32	-	32	38
Events	131	37	168	206
Lettings and property	183	7	190	103
Volunteer fundraising	3,429	-	3,429	3,361
	3,775	44	3,819	3,707

3 CHARITABLE ACTIVITIES

	Grants and consortium payments £'000	Direct staff costs £'000	Other direct costs £'000	Apportioned support costs £'000	Total 2017 £'000	Total 2016 £'000
By core programme area						
Education	37	6,958	12,095	2,774	21,864	15,739
Health	15	3,382	5,833	1,301	10,531	12,746
Livelihoods	23	4,049	8,402	1,536	14,010	13,761
Core approaches *	11	1,686	2,273	735	4,705	3,789
ICS consortium contracts						
Balloon Kenya	1,427	-	-	-	1,427	1,299
Challenges Worldwide	1,340	-	-	-	1,340	1,271
Lattitude Global Volunteering	10	-	-	-	10	1,034
Pravah	330	-	-	-	330	147
Progressio	2,097	-	-	-	2,097	2,509
Raleigh International	5,144	-	-	-	5,144	5,010
Restless Development	3,236	-	-	-	3,236	2,679
Skillshare International	-	-	-	-	-	1,285
Tearfund	1,304	-	-	-	1,304	1,296
United Nations Association International Service	2,108	-	-	-	2,108	2,126
Y Care International	1,382	-	-	-	1,382	1,393
Total	18,464	16,075	28,603	6,346	69,488	66,084

Charitable activities (excluding apportioned support costs) include pro bono services valued at £98,000 (2016: £147,000).

* VSO's core approaches are social accountability, resilience and social inclusion. These three approaches underpin everything VSO does as an organisation under our People First strategy.

Breakdown of apportioned costs

	Governance and CEO costs £'000	Facilities and purchasing £'000	Human resources £'000	Finance and corporate performance £'000	Information technology £'000	Total 2017 £'000	Total 2016 £'000
Education	281	372	554	670	897	2,774	1,986
Health	133	174	260	314	420	1,301	1,420
Livelihoods	156	206	307	371	496	1,536	1,348
Core approaches	73	99	147	178	238	735	487
Apportioned support costs - charitable activities	643	851	1,268	1,533	2,051	6,346	5,241
Raising funds	60	80	119	144	192	595	1,802
Total apportioned support costs	703	931	1,387	1,677	2,243	6,941	7,043

Support costs are apportioned to charitable activities and raising funds on the basis of employee full time equivalent numbers. In the current year, apportionment has been based on global FTE figures. In the prior year it was based on UK FTE figures.

£1,219,000 (2016: £1,567,000) of total apportioned support costs are covered by restricted or designated funds. Apportioned support costs include pro bono services valued at £423,000 (2016: £349,000).

Governance and CEO costs include costs directly related to the chief executive role, including remuneration, travel and executive assistance, of £209,000 (2016: £208,000).

4 NET INCOMING RESOURCES

Net movement in funds is stated after the following charges:

	2017 £'000	2016 £'000
Auditors' remuneration (exclusive of VAT)		
Fees payable for the audit of the charity's annual accounts	32	28
Fees payable for the audit of the charity's subsidiaries	14	3
Other services	30	16
Total fees payable to charity's auditors	76	47
Depreciation		
UK assets	430	444
Overseas assets	558	841
(Gain)/ loss on exchange rate movements (realised and unrealised)	(462)	51

The gain on exchange rate movements in the year to 31 March 2017 includes gains of £654,000 (2016: losses of £35,000) of unrealised exchange rate movements, which have predominately arisen from the translation of non-sterling cash balances for reporting purposes.

5 TRUSTEES' REMUNERATION AND EXPENSES

The trustees received no remuneration or other benefits during the year (2016: £nil). Trustees are reimbursed for their travel and accommodation expenses in attending meetings, visiting programmes overseas, and other activities undertaken on behalf of the charity. Expenses reimbursed to trustees or paid for on their behalf amounted to £12,500 (2016: £26,000), paid to 11 trustees (2016: ten).

6 EMPLOYEE EMOLUMENTS INCLUDING THE COST OF KEY MANAGEMENT PERSONNEL

	2017 £'000	2016 £'000
Salaries and wages	18,642	17,019
Social security costs	1,406	1,094
Pension costs	848	1,961
Other employee benefits	1,394	1,097
Temporary employees	386	306
	22,676	21,477

The 2017 wages and salaries figure includes an amount of £205,000 (2016: £550,000) relating to severance pay. This primarily relates to organisational change to deliver the People First strategy (see note 15 for details).

The table below shows which bands the emoluments of individual staff fell into during the financial year.

	2017	2016
£60,001-70,000	10	12
£70,001-80,000	6	6
£80,001-90,000	4	3
£90,001-100,000	5	1
£110,001-120,000	2	5
£120,001-130,000	3	2
£140,001-150,000	-	1

Total emoluments disclosed in the above bands include termination costs of £43,000 (2016: £80,000), and health benefits, housing, dependant's education and income tax costs of £581,000 (2016: £495,000). 2016 included contract for service payments of £61,000.

The key management personnel of the charity comprise the trustees who make up the international board, and the executive team, led by the chief executive. All trustees serve VSO voluntarily. They do not receive any employee benefits; they receive payment only for reimbursement of out of pocket expenses (see note 5).

As part of the change process VSO implemented in the previous financial year, the key management personnel group was reorganised, with the team of nine replaced with a five member executive team. The total compensation payable, including employers NI contributions, pension and termination costs, was £595,000 (2016: £782,000).

7 EMPLOYEE NUMBERS

Average monthly headcount and full-time equivalent (FTE) number of persons employed:

	2017 Headcount	2017 FTE	2016 Headcount	2016 FTE
UK	244	242	241	230
Rest of world	566	557	479	470
	810	799	720	700

8 TANGIBLE FIXED ASSETS – GROUP AND CHARITY

	Leasehold improvements £'000	Furniture, equipment, fixtures & fittings £'000	Computer equipment £'000	Assets held overseas £'000	Total £'000
Cost					
At 1 April 2016	1,326	184	1,253	2,079	4,842
Additions	-	2	276	558	836
Acquisition of a subsidiary	9	-	2	-	11
Disposals	-	-	(248)	(887)	(1,135)
At 31 March 2017	1,335	186	1,283	1,750	4,554
Accumulated depreciation					
At 1 April 2016	379	140	856	2,079	3,454
Charge for the year	132	18	279	558	987
Acquisition of a subsidiary	1	-	-	-	1
Disposals	-	-	(246)	(887)	(1,133)
At 31 March 2017	512	158	889	1,750	3,309
Net book value					
At 31 March 2016	947	44	397	-	1,388
At 31 March 2017	823	28	394	-	1,245
Held by parent charity	815	28	392	-	1,235
Held by subsidiaries	8	-	2	-	10

9 INVESTMENTS

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Group and Charity				
Value at the beginning of the year	-	-	-	12
Acquisition	-	-	953	-
Impairment	-	-	-	(12)
Value at 31 March	-	-	953	-

Investments held by the charity at 31 March 2017 comprise £2 held in VSO Trading Limited, £953,000 held in VSO Ireland, and £nil held in Beijing VSO Consulting Company Limited. VSO Trading Limited and VSO Ireland Limited are stated at cost and Beijing VSO Consulting Company Limited has been written down to a nil value based on expected future value of this investment (see note 18 for further information).

10 DEBTORS

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Trade debtors	2,202	2,000	2,189	2,000
Amounts due from VSO Trading Limited	-	-	511	667
Amounts due from ICS consortium partners (working capital advances)	1,994	2,463	1,994	2,463
Other debtors	1,458	958	1,452	958
Accrued income	4,119	4,512	4,116	4,440
Prepayments	686	700	678	700
	10,459	10,633	10,940	11,228

All amounts above are due within one year with the exception of the amounts due from ICS consortium partners, which are due within two years.

Legacies of which we have been notified, but not recognised as income, are valued at £nil (2016: £125,000).

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Trade creditors	2,123	1,708	2,120	1,708
Amounts due to VSO Ireland	-	-	28	2
Working capital advance from DFID for ICS	500	-	500	-
Other creditors	287	153	259	152
Pension contributions payable	53	83	52	83
Taxation and social security	622	503	617	503
Accruals and deferred income	3,398	1,661	3,233	1,656
	6,983	4,108	6,809	4,104

Income is deferred when it is received ahead of income recognition criteria being met.

Movement on deferred income during the year

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Balance bought forward	-	-	-	-
Received in year	526	-	121	-
Balance carried forward	526	-	121	-

12 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR – GROUP AND CHARITY

	2017 £'000	2016 £'000
Working capital advance from DFID for ICS	7,700	8,200
Accruals	139	-
	7,839	8,200

ICS contract payments are made after delivery of agreed results. The contract provides an advance from DFID to meet the consortium's working capital requirements for delivery of the programme. The working capital advance will be repaid in full to DFID before the contract is completed.

No interest is incurred on any of the above creditors.

13 PROVISIONS FOR LIABILITIES – GROUP AND CHARITY

	End of service £'000	Volunteer flights £'000	Dilapidations £'000	Pension deficit £'000	Total £'000
At 01 April 2016	172	118	286	4,293	4,869
Arising in the year	-	-	-	211	211
Utilised/ released in the year	(172)	(26)	-	(402)	(600)
At 31 March 2017	-	92	286	4,102	4,480

Volunteer flights

Provision is made in the financial statements for the cost to the charity of return airfares for long-term volunteers on placement at the end of the financial year.

Dilapidations

The provision for dilapidations is to cover the probable future costs of restoring properties to their required condition at the end of their lease.

Pension deficit

VSO participates in the Pensions Trust's Growth Plan, a multi-employer defined benefit scheme in the UK. The rules of the Plan give the trustees the power to require employers to pay additional contributions in order to ensure the scheme has sufficient assets to meet its past service liabilities. If the actuarial valuation reveals a deficit, the trustees agree a recovery plan to eliminate it over a specified period of time. The agreed contribution by VSO to the current recovery plan has been recognised as a provision at the present value of future payments (see note 20 for further details).

14 RESTRICTED FUNDS – GROUP AND CHARITY

Movement on restricted funds

Project name	Country	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Closing balance £'000
ABVC in Uganda	Uganda	-	578	43	535
Accelerated care and treatment for mothers and neonates	Tanzania	49	129	161	17
AYSRRH in PNG	PNG	-	222	222	-
Business of Girl's Education	Mozambique	(101)	260	159	-
Cash 2 project	Tanzania	32	217	249	-
Coaching on the quality of care services and health management and administration at SFRH	Tanzania	110	65	175	-
Cocoa Life Cohort 4	Ghana	(1)	475	474	-
Effect - Education	Myanmar	3	195	109	89
Enhancing employability through vocational training	Tanzania	287	159	306	140
Enhancing the quality of childhood education	Rwanda	-	426	426	-
EU Governance for Cambodia	Cambodia	348	494	303	539
Evaluating and Improving Primary Education	Africa	-	312	312	-
Healthier Lives for Prison Inmates in Zimbabwe	Zimbabwe	-	193	180	13
Inclusive Education in Ethiopia	Ethiopia	-	162	151	11
Inclusive Education in Rwanda	Rwanda	-	211	211	-
IVO4ALL	Global	(46)	169	65	58
Knowledge Exchange	Global	80	232	290	22
Land Access Network for Development and Justice	Zambia	70	101	171	-
Literacy, Language and Learning Initiative	Rwanda	-	172	172	-
Maji Project	Malawi	133	104	237	-
Making Markets Work for the Poor II	Global	292	590	604	278
MNH in PNG	PNG	-	257	240	17
Nutrition & Dietetics Support Project	PNG	-	194	163	31
Provincial capacity building project/UNDP	PNG	-	256	256	-
PSIPSE	Tanzania	19	137	156	-
Reducing Neonatal Mortality in Uganda	Uganda	13	486	256	243
Regional HIV/AIDS Initiative for Southern Africa	RHAISA	201	565	738	28
Rural Enterprises Support Project	Ghana	340	786	883	243
SRHR & HIV and AIDS in Prisons	RHAISA	449	759	516	692
Sisters for Sisters Education	Nepal	-	719	719	-
Strengthening Education Management PLUS	Cambodia	-	232	232	-
Strengthening HIV/AIDS Services for MARP's in PNG	PNG	-	166	166	-
Tackling Education Needs Inclusively II	Ghana	838	669	1,100	407
TALK Adolescents: Training and Local Knowledge	Zambia	36	174	177	33
T-LED Extractive Industries	Tanzania	257	-	238	19
Tanzania Local Enterprise Development (Canada)	Tanzania	84	941	887	138
Tanzania Local Enterprise Development (T-LED)	Global	-	289	137	152
Teacher Education Support Program	PNG	92	1,595	1,687	-
TEACHING TO LEARN	Nepal	-	153	153	-
Uganda School Health and Reading Programme	Uganda	12	158	137	33
Unlocking Talent Through Technology	Malawi	656	1,436	1,725	367
Unlocking Talent through Technology - ScotGov	Malawi	32	230	217	45
Youth development programme	Uganda	-	274	(11)	285
Other specific programme funds*		1,960	3,668	4,068	1,560
		6,246	19,610	19,860	5,996

* Programmes listed individually have income or expenditure over £150,000. All other amounts are included in 'Other specific programme funds'.

The closing balance of the restricted funds comprises the unexpended balances of donations and grants held for specific purposes. It is anticipated that any surpluses on funds will be expended during the coming financial year.

Movement on contracts

	Opening balance £'000	Contract income £'000	Resources expended £'000	Closing balance £'000
International Citizen Service (ICS)	2,677	24,761	25,683	1,755

Income and expenditure relating to the above contract is recorded under the unrestricted column on the Consolidated Statement of Financial Activities. The closing balance is shown on the balance sheet as a designated fund for ICS. The income and expenditure for the prior year was £26.3m and £25.6m respectively.

15 UNRESTRICTED FUNDS – GROUP AND CHARITY

Movement on unrestricted funds

	General fund £'000	Pension deficit repayment plan £'000	Change Programme £'000	ICS £'000	Fixed assets £'000	Total £'000
At 1 April 2015	5,206	(3,264)	2,210	3,329	1,676	9,157
Surplus / (deficit) for the year	7,314	(1,029)	(767)	708	-	6,226
Transfers between funds	1,648	-	-	(1,360)	(288)	-
At 31 March 2016	14,168	(4,293)	1,443	2,677	1,388	15,383
Surplus / (deficit) for the year	3,878	191	(240)	(922)	-	2,907
Transfers between funds	143	-	-	-	(143)	-
At 31 March 2017	18,189	(4,102)	1,203	1,755	1,245	18,290

Designated funds

Pension deficit repayment plan fund

The pension deficit repayment plan fund is equal to the present value of future contributions payable by VSO to meet the obligation resulting from a funding agreement to eliminate the funding deficit on the Pensions Trust Growth Plan (see note 20 for details).

Change Programme fund

The change programme fund was set up to finance organisational change, which ensures that activities are prioritised and focused on a mission basis and resources are efficiently deployed at programme delivery level in country.

Of the current year deficit, £180,000 relates to staff costs, including redundancies, £30,000 relates to travel and accommodation costs for leadership development change workshops, £30,000 is for consultancy and professional services.

The balance is carried forward to fund the ongoing programme of change.

UNRESTRICTED FUNDS (NOTE 15 CONTINUED)

ICS fund

The ICS fund consists of any surplus of income over expenditure relating to the ICS contracts.

The ICS 1 contract completed in 2015/16. From the surplus of £2.6 million:

- £1.2 million derived from volunteer fundraising activities was retained for use on ICS initiatives
- £0.7m was retained for use on contract end costs (for example, redundancies)
- The balance was released to general funds.

In 2016/17 £0.2m of the ICS 1 fundraising balance was invested in security and medical enhancements.

The ICS 2 contract delivered a surplus of £0.7m in 2015/16 and this was carried forward as part of the ICS fund balance. In the current year the ICS 2 contract delivered a deficit of £0.3m. The contract is forecast to achieve a small surplus but in recognition of uncertainties which could reduce this surplus, income has been deferred at the year end to report a breakeven position on the contract to date.

The balance carried forward at 31 March 2017, therefore, relates only to the remaining ICS 1 fundraising balance and the £0.7m for contract end liabilities.

Fixed asset fund

The fixed asset fund represents the extent to which funds are invested in tangible fixed assets for use by the group. Transfers to the fixed asset fund represent capital additions less disposals and depreciation charges for the year.

16 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General fund £'000	Pension deficit repayment fund £'000	Change programme fund £'000	ICS fund £'000	Fixed asset fund £'000	Restricted funds £'000	Total funds £'000
Fund balances at 31 March 2016 were represented by:							
Tangible fixed assets	-	-	-	-	1,388	-	1,388
Current assets	18,852	-	1,443	10,877	-	6,246	37,418
Current liabilities	(4,108)	-	-	-	-	-	(4,108)
Long-term liabilities and provisions	(576)	(4,293)	-	(8,200)	-	-	(13,069)
Total net assets	14,168	(4,293)	1,443	2,677	1,388	6,246	21,629
Fund balances at 31 March 2017 are represented by:							
Tangible fixed assets	-	-	-	-	1,245	-	1,245
Current assets	25,189	-	1,203	9,955	-	5,996	42,343
Current liabilities	(6,483)	-	-	(500)	-	-	(6,983)
Long-term liabilities and provisions	(517)	(4,102)	-	(7,700)	-	-	(12,319)
Total net assets	18,189	(4,102)	1,203	1,755	1,245	5,996	24,286

17 OPERATING LEASES

As at 31 March 2017 the charity was committed to making non-cancellable operating lease payments over various periods, as set out in the table below.

	2017 £'000	2016 £'000
In the UK		
Within one year	391	391
Within two to five years	1,494	1,512
In more than five years	31	403
Overseas		
Within one year	364	588
Within two to five years	910	189
In more than five years	93	-
	3,283	3,083

As at 31 March 2017 the charity was entitled to receive non-cancellable operating lease receipts during the various periods, as set out in the table below.

	2017 £'000	2016 £'000
In the UK		
Within one year	71	71
Within two to five years	283	283
In more than five years	80	150
	434	504

The receipts detailed above relate to the charity's sublease agreement for part of the VSO UK office building. The current agreement is due to end in May 2023.

18 SUBSIDIARY COMPANIES

The VSO Group comprises the parent charity (VSO) and three subsidiary undertakings.

VSO Trading Limited (VSOT)

A company limited by share capital incorporated in England and Wales (company number 02315724). VSO Trading Limited is wholly owned by VSO. As at 31 March 2017 the investment of VSO in VSO Trading Limited was £2 (2016: £2).

The principal activity of the subsidiary is to organise events for the purpose of raising funds for the parent charity. The net taxable profit of the subsidiary is transferred by Gift Aid to VSO. The results for the year of VSOT are given below.

Beijing VSO Consulting Company Limited (VSOC)

A company limited by share capital incorporated in People's Republic of China in June 2012 (company number 110000450208624).

Due to difficulties arising from the country's operating environment and the need for VSO to place resources elsewhere in order to achieve its objectives, a decision was taken in 2014/15 to wind down Beijing VSO Consulting Company Limited. This process can take a number of years and it expected to be completed in 2018.

SUBSIDIARY COMPANIES (NOTE 18 CONTINUED)

The registered capital of the company was initially valued at US\$210,000. The investment held by VSO in Beijing VSO Consulting Company Limited was impaired in prior years and based on its future expected value was written down to US\$ nil in the last financial year.

In accordance with Chinese legislation, the financial year end of the subsidiary is 31 December. Full accounts are available on request from VSO. The results for the year of VSOC are given below.

Voluntary Service Overseas (Ireland) Limited (VSOI)

A charitable company limited by guarantee incorporated in Republic of Ireland; charity number CHY 15048, company number 351799. The company is a wholly owned subsidiary and was acquired on 31 January 2017. There was no cost of acquisition and the net asset value has been recognised as income in the year. The net assets at acquisition were:

	£'000
Fixed assets	10
Current assets	
Debtors	36
Bank and cash	961
Total current assets	997
Current liabilities	54
Net assets	953

The principal activity of the subsidiary is to implement programmes that deliver sustainable change in three core areas: education, health and secure livelihoods. The post-acquisition results of VSOI are given below.

Subsidiary results and closing funds position

	2017 VSOT £'000	2017 VSOC £'000	2017 VSOI £'000	2016 VSOT £'000	2016 VSOC £'000
Total income	521	-	118	423	-
Total expenditure	494	-	67	378	5
Net income / (expenditure)	27	-	51	45	(5)
Gift aid payment to VSO	27	-	-	45	-
Retained profit / (loss) for the year	-	-	51	-	(5)
Total assets	636	8	1,088	672	8
Total liabilities	636	8	73	672	8
Total funds	-	-	1,015	-	-

19 RELATED PARTY TRANSACTIONS

There have been no related party transactions that require disclosure, other than the transactions with subsidiary companies detailed below:

	2017 £'000	2016 £'000
Grants made to subsidiary undertakings		
Voluntary Service Overseas (Ireland) Limited - total for 2016/17	115	
Voluntary Service Overseas (Ireland) Limited - post acquisition	29	
Donations received under Gift Aid from subsidiary undertakings		
Profit donated by VSO Trading Limited	27	45
Payments received from subsidiary undertakings for management services		
VSO Trading Limited	24	34

As at 31 March 2017 a balance was due from VSO Trading to the Charity of £511,222 (2016: £667,000) and a balance was due to VSO Ireland of £28,479. Both balances are expected to be settled within one year.

20 PENSION COSTS

Scottish Widows is the main scheme available to all UK employees. VSO offered this defined contribution scheme from October 2009 and it has been the primary scheme for the charity's employees since then. Scottish Widows has also provided an auto-enrolment scheme for all eligible UK employees since February 2014.

The Pensions Trust Growth Plan Series 4 was the previous main scheme; it has been closed to new VSO entrants since October 2009.

The charity also contributes to certain pension schemes for some employees based overseas.

The table below shows the cost of pension contributions in 2017 and 2016.

	2017 £'000	2016 £'000
Scottish Widows	215	228
The Pensions Trust	78	91
The Pensions Trust - deficit reduction liability: unwinding of discounting	85	53
The Pensions Trust - deficit reduction liability: revaluation	126	1,370
Other - country specific schemes, non-UK	344	219
	848	1,961

The Pensions Trust Growth Plan

VSO participates in the Pensions Trust Growth Plan (the Plan), a multi-employer scheme, which provides benefits to some 1,300 non-associated participating employers. The Plan is a defined benefit scheme in the UK.

As at 31 March 2017 VSO employed 23 (2016: 25) active members of the Pensions Trust Defined Contribution Growth Plan Series 4. Deferred members and pensioners are also in the defined benefit scheme.

As a multi-employer scheme, it is not possible for VSO to obtain sufficient information to enable it to account for the Plan as a defined benefit scheme. Therefore it accounts for the Plan as a defined contribution scheme.

PENSIONS COSTS (NOTE 20 CONTINUED)

The Plan 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 Plan trustees commission an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date.

The rules of the Plan give the trustees the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as technical provisions.

A full actuarial valuation for the Plan was carried out at 30 September 2011. This valuation showed assets of £780 million, liabilities of £928 million and a deficit of £148 million. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme over a 10 year period from 1 April 2013 to 31 March 2023.

A full actuarial valuation for the Plan was again carried out at 30 September 2014. This valuation showed assets of £793 million, liabilities of £970 million and a deficit of £177 million. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme for an additional 2.5 years, up to 30 September 2025.

VSO's additional deficit reduction contributions to date are as follows:

	£'000
2013/14	371
2014/15	382
2015/16	394
2016/17	439

The final 2016/17 instalment of £37k was paid in April 2017. Cash payments in 2016/17 were £402k.

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.

Where the Plan is in deficit and where the employer has agreed to a deficit funding arrangement, the employer must recognise 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.

Present values of provision

	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Present value of provision	4,102	4,293	3,264

Reconciliation of opening and closing provisions

	2017 £'000	2016 £'000
Provision at start of period	4,293	3,264
Unwinding of the discount factor (interest expense)	85	53
Deficit contribution paid	(402)	(394)
Remeasurements – impact of any change in assumptions	126	(67)
Remeasurements – amendments to the contribution schedule	-	1,437
Provision at end of period	4,102	4,293

Income and expenditure impact

	2017 £'000	2016 £'000
Unwinding of the discount factor (interest expense)	85	53
Remeasurements – impact of any change in assumptions	126	(67)
Remeasurements – amendments to the contribution schedule	-	1,437
Costs recognised in the SOFA	211	1,423

Assumptions

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.32	2.07	1.74

These discount rates are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The Plan is classified as a 'last-man standing arrangement'. Therefore VSO 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.

Although closed to new entrants, VSO currently has no intention to withdraw from the scheme.

THANK YOU

Our work would not be possible without the support and dedication of many people, partners and organisations. From the volunteers who give up their time and salaries to work in our programmes around the world, to the individuals who choose to leave a gift in their will and the staff, supporters, and fundraisers who work tirelessly on our behalf.

Here are just some of the organisations and individuals who have made a vital contribution to VSO's work:

- | | | |
|--|--------------------------------------|--|
| Accenture | Human Development Innovation Fund | Sint Antonius Stichting |
| AUSAID | IBM | Stavros Niarchos Foundation |
| BG Tanzania | Irish Aid | Sue and Greg Dyke |
| Bharti Infratel | Jhpiego | Swedish International Development Agency |
| Big Lottery Fund | Mannion Daniels | Swiss Development Corporation |
| British Council | Mastercard Foundation | Syngenta |
| Cadbury-Schweppes | Medicor Foundation | The Adrian and Jane Frost Charitable Trust |
| Citi | Mondelez | The Grocers' Charity |
| Comic Relief | Mott Macdonald | The Kilwaughter Chemical Company Ltd |
| Cuso | Mr and Mrs Errol Pereira | The Kirby Laing Foundation |
| Department for International Development, UK | New Venture Fund | The Million Hours Fund |
| Department of Education, PNG | NORAD | The Swire Charitable Trust |
| Department of Foreign Affairs and Trade, Australia | Oil Search Foundation | The Zochonis Charitable Trust |
| European Union | Palladium International Ltd | UNICEF |
| Faroe Islands Government | Pestalozzi PCF | USAID |
| FHI360 | Pharo Foundation | Vodafone |
| GREAT Britain Campaign | Provincial Capacity Building Project | Water Aid |
| Greg Dyke and Sue Howes | Randstad Global Partnership | Weeshuis Der Doopsgezinden |
| Guernsey Overseas Aid Commission | Royal Norwegian Embassy | ZVM Rangoonwala Foundation |
| | Scottish Government | Zochonis Charitable Trust |
| | Shell | |





If you would like to know more about VSO's work worldwide, visit www.vsointernational.org

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