

A young woman with dark skin is the central focus of the image. She is wearing a blue and white patterned headscarf and a white apron with a black and red grid pattern over a sleeveless top with a similar pattern. She is looking off to the side with a thoughtful expression. The background is a blurred outdoor setting with green foliage.

# LEAVE NO ONE BEHIND

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Annual report and accounts  
2017/18

VSO brings people together to address marginalisation and poverty.

Together, we will leave no one behind.

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Thank you 92



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# WELCOME FROM OUR CHAIR AND CEO

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**Leave no one behind. This is the ambitious target agreed by all United Nations countries as part of the Sustainable Development Goals (SDGs). But what do these words mean in practice?**

Since VSO began 60 years ago, huge progress has been made in tackling extreme poverty. But significant pockets of inequality still exist. The challenge of poverty has become even more complex. There are the pressing issues of climate change and globalisation disproportionately hurting the world's poorest.



**Mari Simonen**  
VSO Chair



**Philip Goodwin**  
VSO Chief Executive  
Officer

VSO's volunteering for development model is a way of doing development differently. It offers compelling ways to address and eradicate poverty. In our annual report you'll read about how bringing together people of different backgrounds, expertise and experiences delivers results, ensuring no one is left behind.

Philip was moved and inspired to see this in action when he visited a maximum-security prison in Zimbabwe this year. Here, VSO is working to improve health in prisons where HIV rates are more than twice the national average.

Philip met 46 Peer Educators trained by VSO – all of them long-term prisoners. They are both benefiting from our programmes as well as being VSO community volunteers – helping drive increased demand for HIV testing and adherence to treatment. It is a powerful example



©VSO/Ginny Latul

**In Northern Uganda, only 1 in 10 girls are able to finish their primary education. Through our Inclusive Education programmes, VSO is helping girls to reach their full potential.**



©Syngenta/Abir Abdallah

**Women farmers in Rangpur, Bangladesh have improved their yields and profits thanks to Syngenta corporate volunteers on our Growing Together project.**

of volunteering reaching the most marginalised members of society.

But reaching these 'harder to reach' groups – be they deaf youth who've been excluded from sexual health services in Rwanda, or Dalit children unfairly disadvantaged in classrooms in rural Nepal – isn't easy, or cheap.

We can only do these things if we have the finance to deliver. It's been a challenging yet successful year; however, the external environment continues to get tougher. VSO can't rely on funding from governments with any certainty, and with ever-growing competition, we have to constantly think about how we can unlock the resources to deliver on our mission.

Over the last year, we have further streamlined our administration, organisation and governance. We are committed to providing excellent value for money. We want to show how our interventions reach those people left untouched by 'business as usual' development.

Safeguarding those we work with is the most important part of our work. It's central to us successfully delivering our charitable mission. Due to the vulnerability of those we are working with, international development organisations are rightly held to a higher standard than other institutions.

VSO has an organisation-wide commitment to take seriously and act on all breaches in safeguarding. We take a zero-tolerance view of behaviour that harms, threatens, abuses or exploits the vulnerable. We have a survivor-led approach to dealing with safeguarding. We are confident in VSO's approach, but we can never be complacent. This year we have commissioned an external review of our safeguarding practice to ensure it is as robust as it can be.

Already last year, as part of our ongoing drive for greater transparency, we provided reporting on every medical, safety and safeguarding issue. This year's annual report seeks to be even more transparent.

We're proud of what our volunteers, our staff, and those we serve, have achieved over the last year, and we're incredibly grateful for the financial support we have received. We want to extend a personal thanks to all of you who stand beside us. With enough financial support, together we can build a fairer and more equal world, leaving no one behind.

*Julian*      *Philip*  
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# VSO AT A GLANCE

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## VSO works for a world without poverty, where no one is left behind.

For 60 years, we have brought people together through volunteering for development. This is a uniquely effective way of tackling poverty and marginalisation.

Our volunteers live and work in the poorest communities. They:

- Develop **new, creative ideas** for solving poverty from within communities themselves.
- Build the **confidence and ability** of communities to take ownership of change.
- **Reach** out to the most remote and excluded people.

### Who are VSO volunteers?

Our volunteers are national and international. They can also be members of the communities we work with. VSO brings people together from different backgrounds and with different experience and skills. By doing so, VSO helps nurture skills, ideas and the exchange of knowledge. This creates the conditions for transformational change.

Our volunteers may live and work in a community for years. Some may work for a period of shorter, targeted support. Others volunteer in stages, as many of our corporate volunteers, youth volunteers or e-volunteers do. However long they volunteer with us, their focus is on developing the systems and conditions for positive social change.

### What is VSO working on?

We focus on delivering positive change in three areas: **education, health** and **livelihoods**. Our volunteering model means our development interventions are more likely to be sustainable. The communities we work in grow in terms of resilience, fairness and accountability.

Our programmes focus on five core areas:

- maternal and newborn health
- adolescent and youth sexual health and rights
- inclusive education
- agri-based value chains
- youth employment and enterprise.

Last year VSO worked with thousands of volunteers and partners to support over 1.5 million of the poorest people in 24 countries across Africa and Asia.

### Last year our programmes supported:



**12,351**  
people with  
a disability



**509,985**  
children and young  
people (under 19)



**915,187**  
women and girls

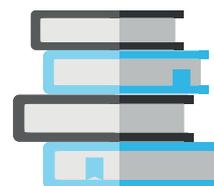


©VSO Nicholas Seun Adatsi

Harvesting cocoa at Nyinahin, Ashanti region, Ghana.

In 2017/18 we supported over 1,500,000 people including:

over **325,000** people through our education programmes



over **115,000** people through our livelihoods programmes



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



over **185,000** people through our core approach programmes

# VSO AT A GLANCE

## International volunteers



**3,345**  
youth

**98**  
corporate



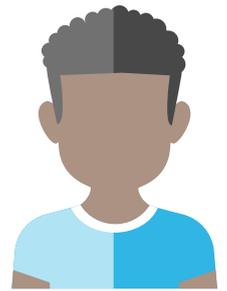
**106** professional volunteers  
from the Global North



**130**  
professional  
volunteers from  
the Global South

## National volunteers

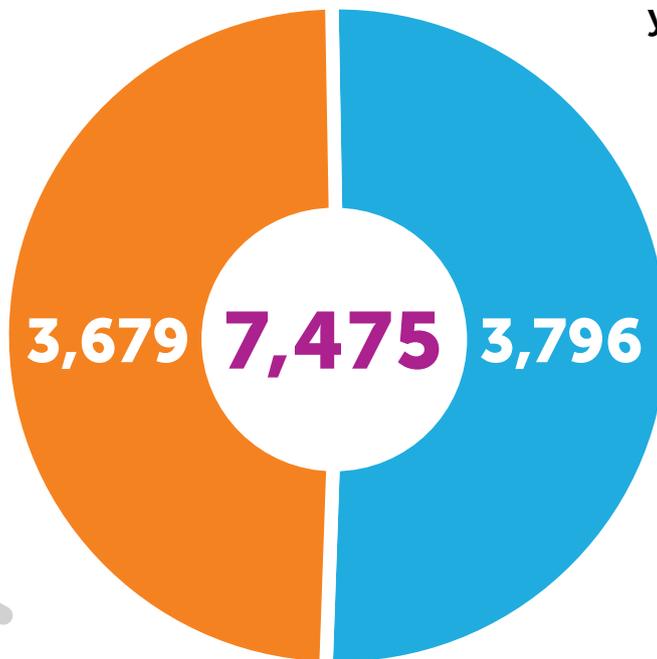
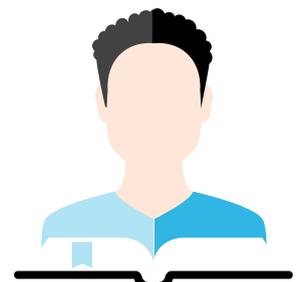
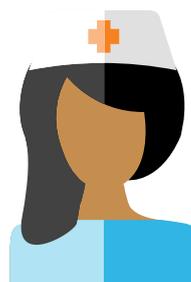
**3,235**  
youth



**2**  
corporate



**559**  
professional  
volunteers



## International Citizen Service

International Citizen Service (ICS) is a youth volunteering programme that brings together young people from the UK to volunteer side-by-side with young people from developing countries. ICS is funded by the UK government and delivered by eight respected consortium agencies, who are led by VSO.

Last year, ICS enabled 6,580 young volunteers to make a difference in 21 countries around the world. This included:



**28,400**  
hours of peer  
education



**1,870**  
community  
infrastructure  
projects



**17,700**  
hours of  
awareness  
raising  
activities



**3,300** action  
research projects



**7,000**  
new resources  
developed

**33,200**  
hours of  
training



VSO ICS volunteer Julius Ayella takes photos of speeches and musical performances at an ICS community event in Hoima, Uganda.

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# VSO AT A GLANCE

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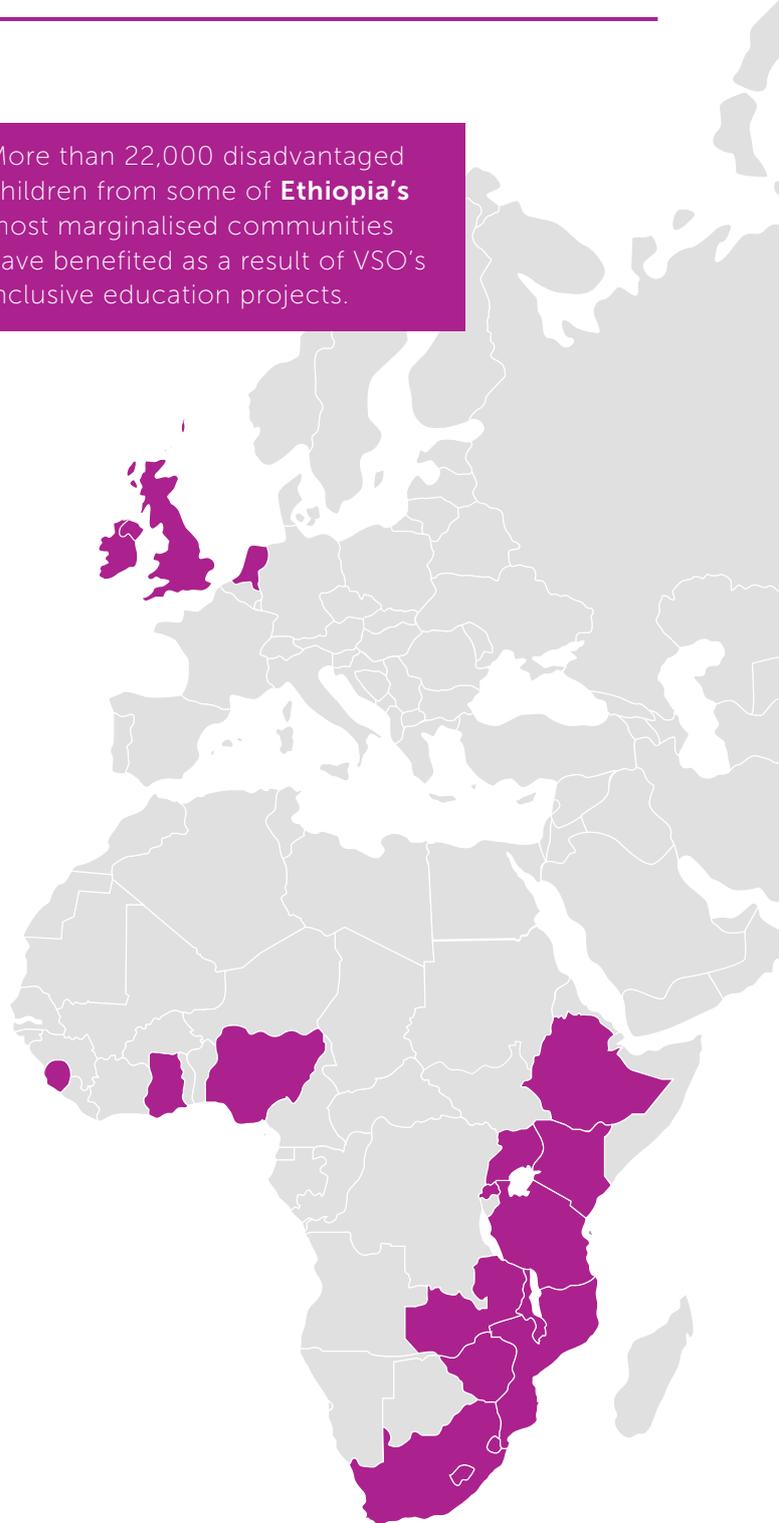
©VSO

More than 22,000 disadvantaged children from some of **Ethiopia's** most marginalised communities have benefited as a result of VSO's inclusive education projects.



©CS/Jeffrey Dekock

VSO launched the first of ICS's Disability Projects. ICS volunteers in **Kenya** are advocating for the rights of disabled people. They are promoting inclusive neighbourhood spaces, and delivering Kenyan sign language to community members.



In **Sierra Leone**, VSO volunteers piloted the use of portable battery-powered ultrasound-scan machine technology. These 'V-scanners' strengthen early detection of pregnancy complications in women and have been rolled out at five basic emergency obstetric newborn care centres.



A VSO-led campaign to raise awareness of gender-based violence in **Pakistan** reached 472,000 people. As a result, the Inspector General of Police made a commitment to establish an anti-violence against women and children centre in Islamabad. This will provide legal and medical facilities to survivors of violence.

In **India**, VSO has helped 5,000 farmers improve their knowledge on good agricultural practices, enabling them to reduce production costs and increase yields.

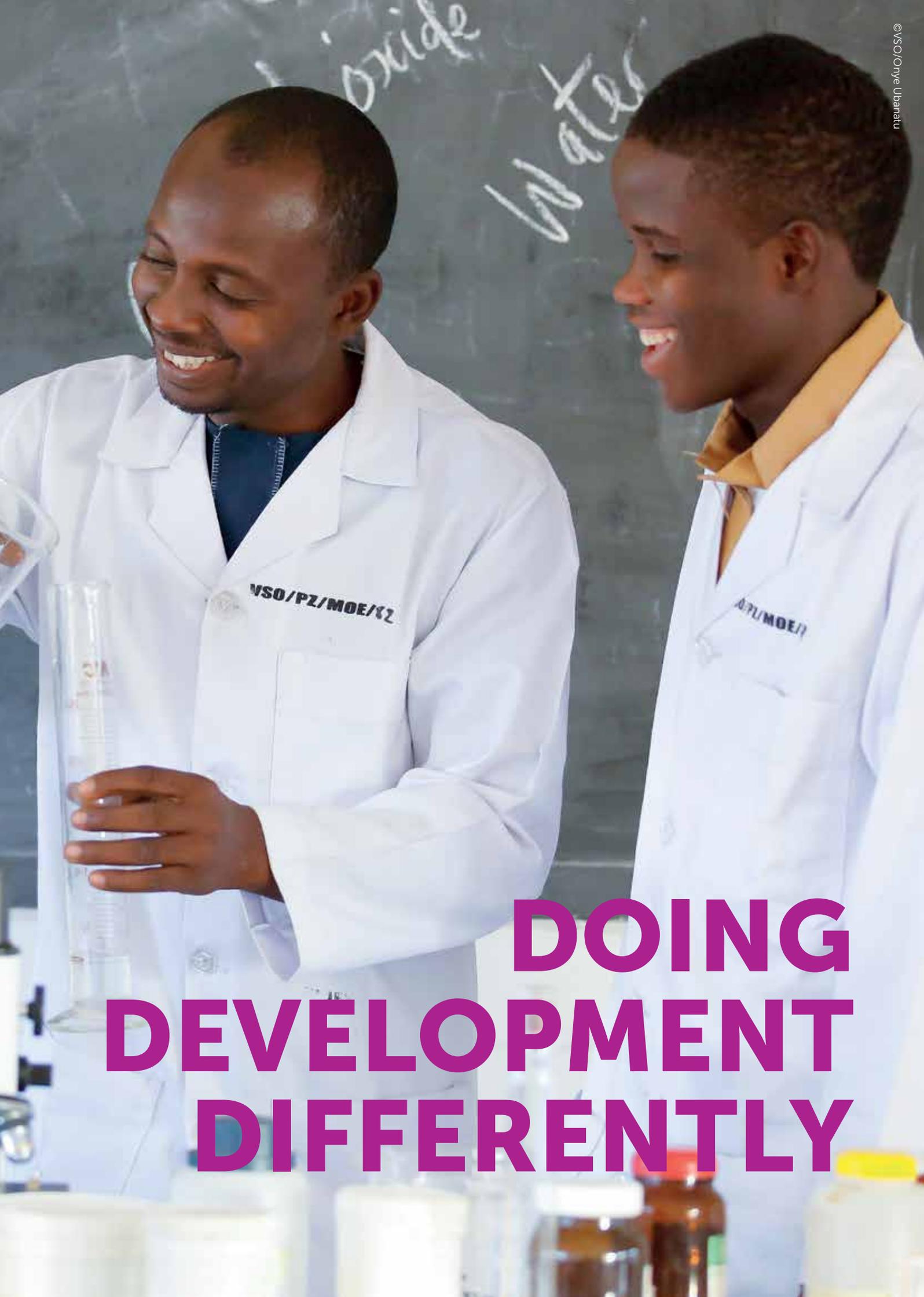
### In 2017/18 VSO worked in 24 countries:

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



Thanks to the development of a VSO-supported Neonatal Intensive Care Unit (NICU), the infant-mortality rate at Moroto hospital, **Uganda**, has reduced from 50% to 10%.





oxide  
water

VSO/PZ/MOE/12

0.71/MOE/11

# DOING DEVELOPMENT DIFFERENTLY

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# INCLUSIVE EDUCATION

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**Education should be a right of all children, no matter who they are or where they are from. That is why our projects focus on inclusion and why our volunteers live and work in the communities they support.**

We make sure that children of all genders, abilities and backgrounds have an equal chance to learn and thrive.

## **No child left behind**

Teenage pregnancy, menstrual taboos and prejudice are keeping girls out of school in Nepal.

The Sisters for Sisters' Education project is helping girls get back into education by giving girls a 'Big Sister'. These 'Big Sisters' are community volunteers who support girls through their adolescent years. The volunteers offer encouragement, accountability and taboo-busting information on sexual and reproductive health. As the 'Little Sisters' get older, VSO is supporting them to transition to higher levels of education and develop the life skills to navigate the next phase of life.

This year, VSO also began its biggest education project to date.

In Rwanda, the Building Learning Foundations project is working in every primary school in the country. The aim is to improve children's maths and literacy skills, and to make classrooms more inclusive for children with disabilities. Another project based in Rwanda, Strengthening School Readiness, is making sure children age 3-5yrs are ready for school. Volunteers work with parents, teachers and local leaders in one of the country's poorest areas. They help identify children with disabilities and ensure they have everything they need to learn with their peers.

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## 93.8%

**of the 'Little Sisters' believe the project will help them stay in school**

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©VSO/Suraj Ratna Shakya

“From when I first joined this project, I got training in life skills. From that point onwards, I really felt the importance of education: that every girl needs to be in school.”

Durga Dahal, 37, a community volunteer 'Big Sister' in Surkhet, Nepal



Children at schools in Katsina state now have access to quality facilities for science education – conveniently delivered by a ‘laboratory on wheels’.

### Technology transforming teaching

In one of Nigeria’s most remote regions, young people are falling behind in their science education. Less than a quarter of schools have science labs. So, VSO decided to bring the Mobile Science Lab to them.

The Mobile Science Lab travels around schools in Katsina, one of Nigeria’s poorest states. It provides a unique opportunity for young people here to get stuck into science, maths and technology.

VSO worked with the Ministry of Education and Nigeria’s National Youth Service Corps to recruit young Nigerian graduates to volunteer in schools. These young volunteers now deliver the mobile science lessons. They are the future science teachers of Nigeria.

Meanwhile in Malawi, we are bringing technology into the classroom.

With an average class size of up to 90 pupils, our Unlocking Talent project makes teaching manageable using tablet technology. By March 2018, 90,000 children from 110 primary schools

saw massive improvements in their learning. Reading scores doubled and girls are no longer falling behind boys. Over the last year, volunteers have brought new ideas to reach out to school drop-outs, applying the technology as an outreach tool to help them catch up to a level where they can re-enrol.



**7,500** students learning with our lab on wheels in Nigeria



By 2019, Unlocking Talent will reach up to **300,000** students

“These young Rohingya children are at such a delicate stage in their lives. The Early Years Guide brings together expert knowledge from around the world to give Rohingya volunteers the tools they need to support them.”

Professor Marilyn Leask co-chair of MESH – the Mapping Educational Specialist Knowledge Initiative

There are hundreds of thousands of Rohingya refugee children living in camps in Cox’s Bazar, Bangladesh. They have experienced violence and ongoing trauma in some of the most crucial years of their lives. Yet most still lack safe spaces to learn and play.

We are rolling out a home-based early childhood care and education (ECCE) in emergencies programme. This works with children aged 3-5yrs. VSO has brought together leading education specialists to create an open-source guide for people working in young children’s education in extremely challenging contexts.

This guide is open to everyone, worldwide, to download and use wherever needed. We have lined up expert international and national volunteers to help deliver it on the ground in the camps where needed, alongside Rohingya community volunteers.

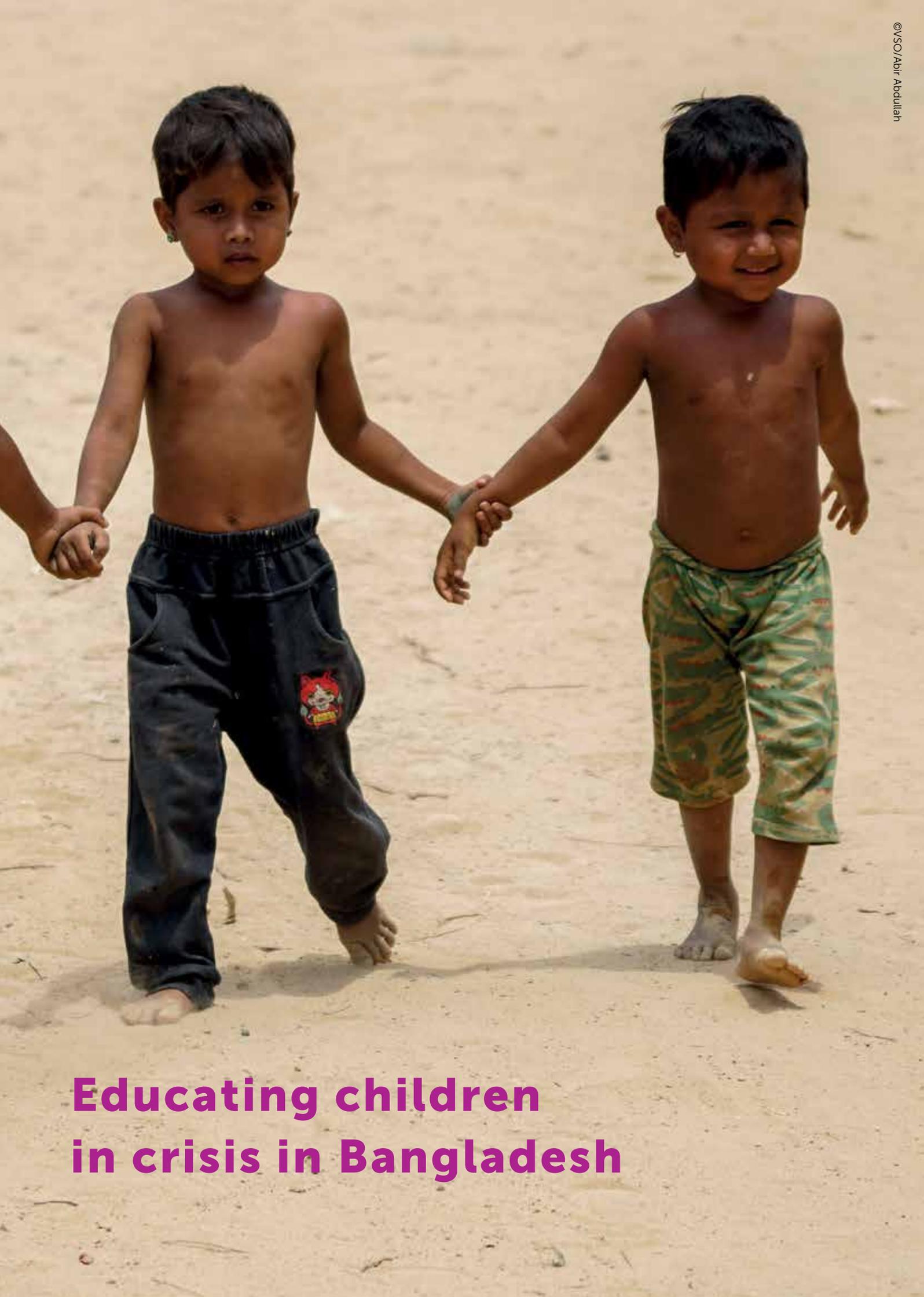
Translated into the local language, the guide teaches through songs and stories. We have designed it to help young children in crisis understand the world around them. It will support their emotional development and will help them grasp early literacy and numeracy. This is so important if a whole generation is not to lose access to education.

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**Cox’s Bazar is now home to almost**  
**700,000**  
**Rohingya refugees**

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**Educating children  
in crisis in Bangladesh**

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# HEALTHY COMMUNITIES

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**Poor health is both a cause and a consequence of poverty. It creates a vicious cycle. Those in poverty become too ill to work, and money spent on accessing healthcare pushes people further into poverty.**

VSO volunteers work with health workers, communities and governments to improve health services and break the cycle of poverty.

## Health in the first month of motherhood

Each year, over 2.6 million babies die within the first 28 days of life. Nearly 300,000 women still die from complications related to childbirth. Most of these deaths take place in developing countries, from preventable causes. We support healthcare workers to provide better quality services and support communities to demand better access to maternal and newborn healthcare.

VSO has worked in Myanmar, Tanzania, Sierra Leone and Ethiopia to ensure that more women give birth safely, attended by a qualified midwife. In Myanmar, VSO volunteers have contributed towards reducing maternal deaths by mentoring 50 midwife tutors who have cascaded what they have learnt to 672 trainee midwives.

In Tanzania, the VSO Accelerated Care and Treatment project has increased access to maternal and newborn health services in eight district hospitals in Lindi and Mtwara provinces. It's also improved the quality of services. VSO volunteers have trained healthcare workers in the use of portable ultrasound devices. They have also helped develop specialist newborn intensive care units and rolled out colour-coded checklists to help healthcare workers monitor babies in their first crucial hours.



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Over **600**  
midwives trained  
in Myanmar

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©VSO/Georgie Scott

**Amina Nakukonde, 30, experienced complications when she gave birth at Gulu hospital, Uganda. Fortunately, VSO volunteer midwife Marianne Bontenbal was close at hand to make sure she received the vital treatment she needed.**

## Young people taking control of their sexual health

Teaching young people about sexual and reproductive health helps them to make healthy decisions about their bodies. But they are often left out of the conversation about sexual health. This is especially true for those identifying as HIV positive, disabled or LGBTQ. Stigma prevents them from speaking out in public.

Through the Gender Empowerment and Development to Enhance Rights (GENDER) project,

VSO has trained 1,069 young people as community volunteers in six countries across Southern Africa. These volunteers are providing sexual and reproductive health information and promoting behaviour change amongst their peers.

As a result, 35,990 young people across Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe have gained knowledge of – and greater access to – sexual and reproductive health services.



Niyonsaba Brown, pictured above, is training 140 community health workers and nurses in sign language in Nyagatare, Rwanda, so they can communicate with their deaf patients.

“The deaf community are most affected by sexual and reproductive health issues – particularly with regards to early pregnancies among young girls. It’s great to be able to support them with information and services they need.”

Mukeshimana Marie-Claire, 38, one of the nurses to receive this training.

“Before the programme, some of us were moving skeletons. As you can see, even those of us that are HIV positive look healthy now.”

Comment from one Zimbabwean inmate

In Zimbabwe, the rate of HIV infection is twice as high in prisons as in the general population. VSO is working to help prison communities improve the health outcomes of HIV positive inmates.

Prisoners are being trained to provide peer support, HIV, sexual and reproductive health education, and cell-based care to other inmates. They act as volunteer advocates and role models, gaining the confidence to affect change for the most marginalised in their communities.

Tracey Ben is one advocate, and has seen the devastating effects of life in an under-resourced prison:

“We all come from different backgrounds and have committed different crimes, so it is difficult to get along. Peer education is critical in building bridges.”

Creating an environment where inmates feel comfortable disclosing their status has led to a 100% increase in adherence to HIV medication. Upon release, the peer educators use the skills they have learnt to support their own communities, contributing to society and reducing the stigma attached to ex-offenders.

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**514**

**inmates trained in supporting other prisoners with HIV**

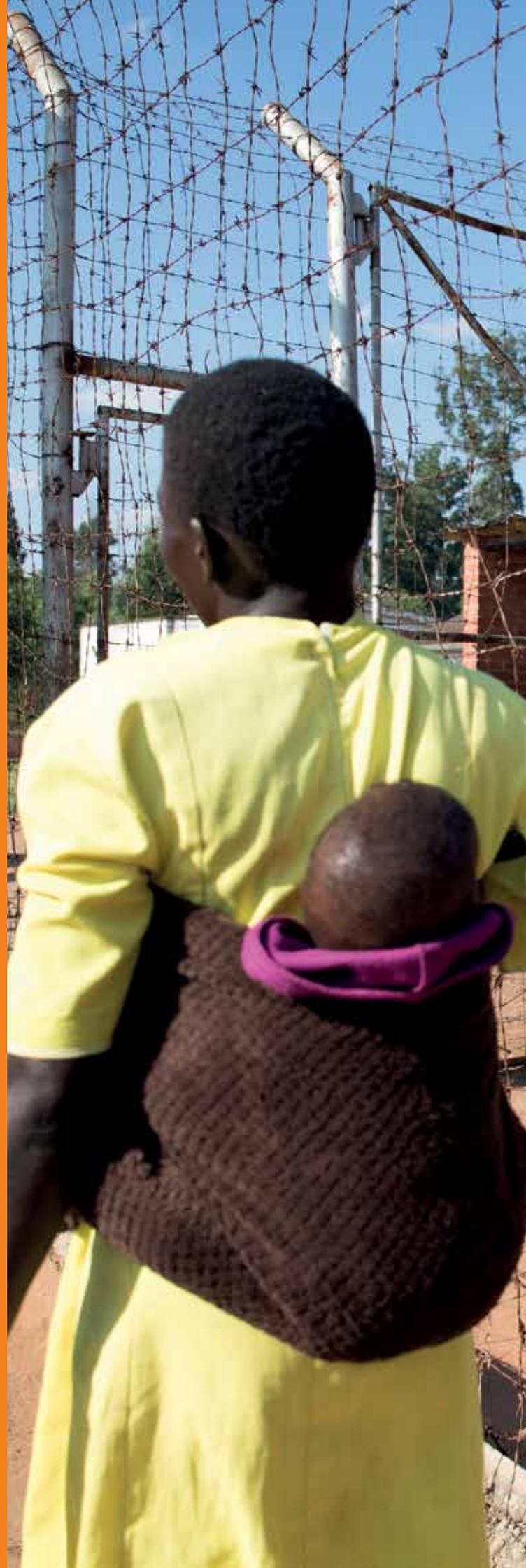
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**100%**

**increase in adherence to HIV medication**

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# Transforming the lives of prison inmates in Zimbabwe



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# SECURE LIVELIHOODS

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Millions of people are struggling without a reliable source of food and income to support themselves and their families. VSO works to address the barriers to financial independence. Our skilled volunteers work in communities to ensure people have the skills and opportunities needed to live secure and dignified lives.



Cocoa-farming communities in Ghana are benefiting from increased yields and bigger profits thanks to our 'Cocoa Life' partnership with Mondelēz International.

## Sustainability at the heart of development

By sharing their skills and experience, VSO volunteers help generate long-lasting change in the communities they work.

For example, through the Cocoa Lives programme in Ghana, 905 marginalised women and men have been trained in skills such as commercial agriculture, soap-making and textiles. Thirty percent of those trained are now applying these skills to support their incomes.

In Tanzania, smallholders in Zanzibar increased their yields by as much as 66% through VSO's Commercial Agriculture for Smallholder Farmers in Horticulture (CASH) project. This project focuses

on women and people with disabilities and has helped farmers improve their access to resources, technology and links to the markets. This means that they have more control over when, where and to whom they sell their produce. It means greater control and growing incomes, ensuring their hard work pays off.

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**Smallholders in Zanzibar have increased their yields by up to**

**66%** through VSO's CASH project.

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©VSO/Sophal Neak

**Mao Pek, 56, (left) demonstrating how to apply fertilizer pellets at his rice field during a community demonstration facilitated by VSO as part of the IMA4P project.**

### Future-proofing farming

Climate change. Market demands. Natural disasters. There are so many shocks that can devastate the livelihoods of the world’s poorest.

In Cambodia, rice farmers were struggling due to unpredictable rains and lack of access to markets. This was making farming more and more unprofitable. Our Improving Market Access for the Poor (IMA4P) project is addressing this. Volunteers have introduced a sowing innovation called the Eli-seeder. This seeder means farmers no longer have to plant seeds by hand, cutting labour costs

by 30%. For many farmers, this has made farming financially viable.

These rice farmers now also have membership to the Sustainable Rice Platform. This platform is bringing people together to tackle some of the biggest issues in rice farming – like climate change, sustainability and meeting the global demand for rice – while making sure farmers get a fair price. Membership of the platform has cut costs for farmers, boosted yields and opened access to the EU market.



©VSO/Sophal Neak

“We’ve really started to minimise the impacts on the farmers that we’re working with. We’ve managed to make their crops adaptable to climate change.”

Albert Mutasa, VSO project manager in Cambodia

“I like JOIKKO because it’s a social enterprise – it’s doing a social service for people. I want to make this Farmer Centre a model for others. For me, it’s made a huge difference.”

Mohammed Azadul Islam, 33, Farmer Centre Entrepreneur (FCE) in Bhangni, Bangladesh

For farmers in Bangladesh, high market prices, high-interest borrowing and poor yields drive cycles of debt and poverty.

As part of the Growing Together project, VSO works with the global agribusiness company, Syngenta. Corporate volunteers from Syngenta, work with skilled national and international volunteers with a background in agriculture, business development and social inclusion. Together, we have developed a network of community-led, for-profit ‘Farmer Centres’. These provide agronomic training and improve market access, as well as selling quality essentials like fertilisers and seeds.

Control of the centres is being handed over to farmer entrepreneurs, trained in business skills and agricultural best practice. This is a transition from an externally-funded project to what it is today: JOIKKO, a self-financing, sustainable social business that gives power back to smallholders.

There are currently six initial Farmer Centres in northern Bangladesh and a customer base of 7,000 farmers. By 2020, with financial investment from the UK’s Department for International Development, the project will expand to 20 centres supporting 100,000 farmers.

In the project’s second year, farmers reported an increase in net income of 300%. Chemical fertiliser and pesticide usage has reduced by 60-70% and 10-50% respectively.

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Through VSO’s Growing Together project, farmers in Bangladesh have seen an increase in net income of **300%**

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# Empowering farmers in Bangladesh



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# CORE APPROACHES

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**Across all our work, we look at how we can build stronger communities where no one is overlooked or left behind. To do this, we focus on three areas: social accountability, resilience, and social inclusion and gender.**

## **Everyone deserves to be heard**

Whether you're a school teacher in Nepal, a crab farmer in Bangladesh, or a midwife in Uganda, you deserve to be listened to. But power dynamics stop people speaking up. This is where VSO can help.

VSO volunteers can bridge the gap between decision-makers and communities. We empower communities to hold decision-makers to account, and support those who are responsible for providing services to respond to community concerns. This is social accountability.

Social accountability gives people a voice. We support people to influence and engage with governments and other service providers.

## **Youth as a force for change**

In Lesotho, young people are holding government to account over the sexual health services on offer to them. Using scorecards, youths and adolescents have rated two health services in the Mafeteng district.

This project shows young people they have a right to assess health services, and call the government out when they aren't up to standard.

In the coming year, we're expanding our social accountability toolkit, introducing new methods, like interactive theatre, to build the confidence of communities and to help bring their voices to the attention of decision-makers.

**Sathi Das, 27, used to struggle on the uncertain income from her husband's crab-catching in Narketola, Bangladesh. But following training from VSO, she was able to set up her own profitable crab farming business.**





Zimbabwean international volunteer Jonah Tendere, 43, (left) works alongside community volunteer Saidu Turay, 50, (right) to help mudslide-affected communities in Sierra Leone become more resilient to future disasters.

### Community resilience

Shocks and stresses, such as climate change, natural disaster or political instability, can have a devastating effect on communities. When crisis hits, a community is only as resilient as its most vulnerable. For example, people with disabilities, or poorer people living in a precarious area. We build our disaster plans with these people in mind.

First, we analyse how a community currently protects itself from risks, and identify where we can best assist. We then mobilise governments and individuals, seeing how they can act when disaster strikes. VSO is then able to make best use of resources, working where there is the greatest need.

In Malawi, for example, volunteers are using drones to analyse the risks a community may face. Drone photography reveals any threats a community may be exposed to, prompting community members to take action and to work with volunteers to find solutions.

### The tools to prevent and manage disasters

Building resilience isn't just about helping communities respond in the wake of a crisis. It's also about preventing disasters happening in the first place.

In Malawi, communities engaged in our More Action for Just Initiatives (MAJI) project are less likely to be destabilised by climate change and natural disaster, thanks to an emphasis on resource management and reforestation.

VSO volunteers work with communities on resilience all over the world. From mudslides in Sierra Leone to flooding in Nepal – building in processes that help identify and mitigate against risks, is saving lives and livelihoods in some of the world's most vulnerable communities.

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**28,000** people have benefited from the MAJI project in Malawi so far

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# CORE APPROACHES

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## Finding the root cause of gender inequality

To end gender discrimination, we have to address the structural and systemic causes of poverty and inequality.

As part of the One Community One Family (OCOF) project in Nepal, local community volunteers helped provide training for husbands, brothers and other male community members. The aim is to change gender attitudes and practices, and to improve family relationships.

Covering everything from domestic violence to the distribution of household chores, the project has seen significant changes in attitudes to gender and has created greater harmony amongst family

members. The women involved have also become more empowered to take an active role in financial decision-making in their households.

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**800** community members have watched interactive theatre performances on gender-based violence, designed to help challenge damaging attitudes.

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©VSO/Suraj Ratna Shakya

Mina (above left) felt isolated and suicidal after her husband started drinking and became violent towards her. Thanks to the OCOF project in Nepal, and the training provided, Mina's husband is no longer drinking to excess and the violence has stopped.

Four ICS youth volunteers after delivering an employment skills session at a high school in Kratie, Cambodia. The team comprises both Khmer and British young people.



©VSO/Cesar Lopez Balan

### A focus on disability

Disability inclusion is central to our work. VSO has committed to undertaking social exclusion (including disability) and gender analysis in each VSO country to develop a greater understanding of the causes and consequences of exclusion where we work. We are introducing minimum requirements regarding disability across all our global programmes.

In Kenya, VSO is undertaking research into how training in Kenyan Sign Language affects the quality of education. This research will help us design new and improved interventions to benefit teachers, deaf students and their communities.

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**356** married men and women, and their family members, have completed gender training in Baglung, Nepal.

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# GLOBAL ENGAGEMENT

**We can meet the Sustainable Development Goals (SDGs). But only if citizens across the world support, demand, oversee and deliver them. This needs the support of organisations to engage and mobilise active citizens. This is why the UN has formally recognised the power of volunteering in delivering the SDGs.**

VSO is building global engagement by:

- Encouraging our volunteer network to become global citizens, and advocates of the SDGs.
- Creating opportunities for those most affected by poverty and exclusion to create change in their own communities.
- Developing partnerships with funders, private sectors, civil society, and other International Non-Governmental Organisations (INGOs).

## Promoting global citizenship

For 60 years, VSO has worked with more than 76,000 volunteers in over 40 countries.

Our volunteers live and work in local communities. They see, first hand, the roots of poverty and exclusion. They have the unique skills and

commitment to continue taking positive action beyond their placement. With the right support, they become lifelong agents of change.

Our citizen-led monitoring work, which helps people to hold authorities to account, demonstrates just how powerful this is. Last year, over 120 volunteers supported over 10,000 people in raising awareness of the SDGs.

One awareness campaign in India's Jharkhand and Chhattisgarh states underlined the importance of access to social protection services for people with disabilities. This campaign reached nearly 1,500 people with disabilities. Three quarters of these people accessed at least one service or entitlement as a result.



©VSO/Priyanka Budhathoki

Through the partnership between VSO and Theatre for a Change, young women in Nepal were trained to use interactive theatre in their child marriage prevention campaigns.



**Dr Kiran Cheedella (centre) is a GP from the UK, volunteering on VSO's Doctors for Development programme in partnership with the Royal College of General Practitioners.**

## Youth engagement

Of the 1.8 billion young people around the world, 90% live in developing countries. VSO works with young people in all our programmes. Through the International Citizen Service (ICS) programme, VSO has helped to create a powerful network of young people. They are passionate advocates for creating change in their own communities and committed active global citizens.

Over the past year, we brought young people together in seven countries to raise awareness, engage local decision-makers, and campaign for issues that they care about. Some of the issues covered include youth unemployment in Tanzania, religious tolerance in Pakistan, and child marriage in Bangladesh.

Child marriage has been the focus of a national awareness-raising campaign in Bangladesh. The campaign was led by returned national youth volunteers who appeared on four leading radio stations, attached campaign stickers to over 560 vehicles in Dhaka, and featured in a national newspaper.

## Building global partnerships

We believe that progress is only possible by working together. Partnerships are a way for us to build on others' expertise. They are a way for us to innovate. They are a way for us to extend the reach of our work and to amplify our voice.

**Others' expertise:** Through our Doctors for Development project we have facilitated a partnership between The Royal College of General Practice (RCGP) and Makeni hospital in Sierra Leone. Qualified practitioners from the RCGP volunteer to provide training and assessment of local doctors. To date this partnership has benefited more than 90 health professionals.

**Innovation:** Last year we launched a new partnership with Theatre for a Change, piloting five new projects in Bangladesh, Nepal, Swaziland, Rwanda and Tanzania. This innovative project uses interactive theatre to help young people understand their rights to quality health services.

**Extending our reach:** Our partnership with MESH Guide is working to develop a teaching guide for Early Childhood Development (ECD) in emergencies, specifically for our Bangladesh Education in Emergencies programme. We're now working with Ustad Mobile, to expand our reach and deliver this resource using accessible technology.

VSO is at the heart of these cross-sector collaborations – brokering and convening relationships, and ensuring all parties have the well-being of the communities we support front and centre at all times.

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# GLOBAL LEADERSHIP

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**VSO is the world's leading volunteering for development organisation. We have a responsibility to share our experience and to work with others in promoting high-impact and responsible volunteering practice. It requires us to lead by example.**

To get there, VSO is leading on the development of a set of global volunteering for development standards. In 2017, we formally established a group with other international organisations to drive this work forward. Today, the group has 22 members, and we plan to launch these standards in 2019.

## Sharing knowledge

As well as setting new standards, we're committed to building our knowledge and insight. We formed a partnership with the Institute for Development Studies to aid our understanding of how our volunteering model of development helps people to hold governments to account.

We also share our experience and best practice with the wider sector. Last year we developed a position paper for the annual International Volunteer Cooperation Organisations (IVCO) conference on The Role of Volunteers in Promoting Women's and Youth Empowerment. We were also invited to take part in the International Federation of Red Cross and Red Crescent Societies (IFRC) Volunteering Alliance to contribute to discussions on volunteerism.

We are now preparing for a Global Technical Meeting on Volunteering at the UN in 2020, which will provide an opportunity to promote the new volunteering standards to a global audience.



Shehla Qureshi (second left), Karachi's first female superintendent, attends a UN Women event with Baroness Lorely Burt (third left) on ending violence against women and girls.



Irene Ratamwa is a community health worker in Zimbabwe. She works with ex-inmate and VSO volunteer peer educator Tafadzwa Jokochoko to try and improve health in the community.

## Influencing policy

We know that policies and laws set by governments and international institutions can make a huge difference to the lives of people VSO is working with and for.

Throughout all our policy and advocacy work, we take a bottom-up approach. This enables people in the communities we support to identify the drivers of poverty in their own contexts. It helps them to decide where policies need to be changed, and to plan for change in their own lives.

Over the past year, we have advocated for the inclusion of the right to health for prisoners

in Zimbabwe. We have also worked with the Government of Nepal to influence their national disaster risk reduction strategy.

We draw upon our wide range of volunteers to deliver this work, including our parliamentary volunteers who use their skills as influencers to support VSO's advocacy work.

Baroness Lorely Burt worked with local police forces in Pakistan to encourage them to be more sensitive in their response to gender-based violence. And in Bangladesh, UK MP Dr Rosena Allin-Khan supported our advocacy work on child marriage.

# FINANCIAL REVIEW





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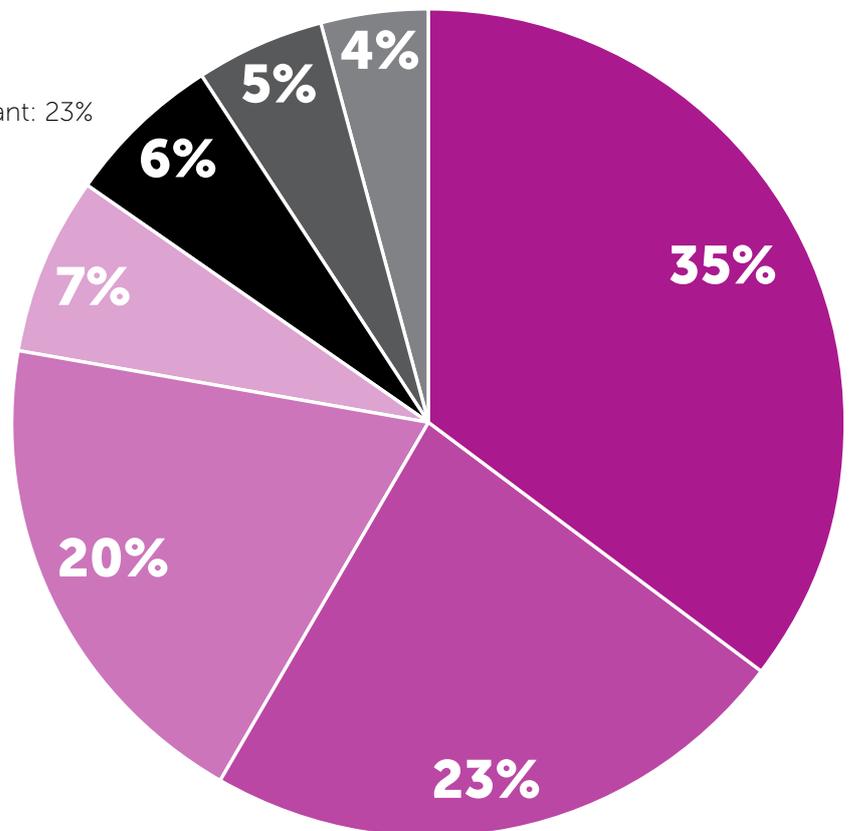
# INCOME

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In 2017/18 our income levels remained healthy. The Department for International Development (DFID) remained a strong income source, and we continued to diversify our income portfolio with the support of institutional donors, companies and legacies.

## Where our income came from 2017/18

- ICS 2 Contract: 35%
- DFID Volunteering for Development Grant: 23%
- Institutional Grants: 20%
- Individual giving: 7%
- Companies: 6%
- Events and community: 5%
- Other donations: 4%



TOTAL  
INCOME  
FOR THE YEAR  
**£74**  
MILLION

## Governmental income

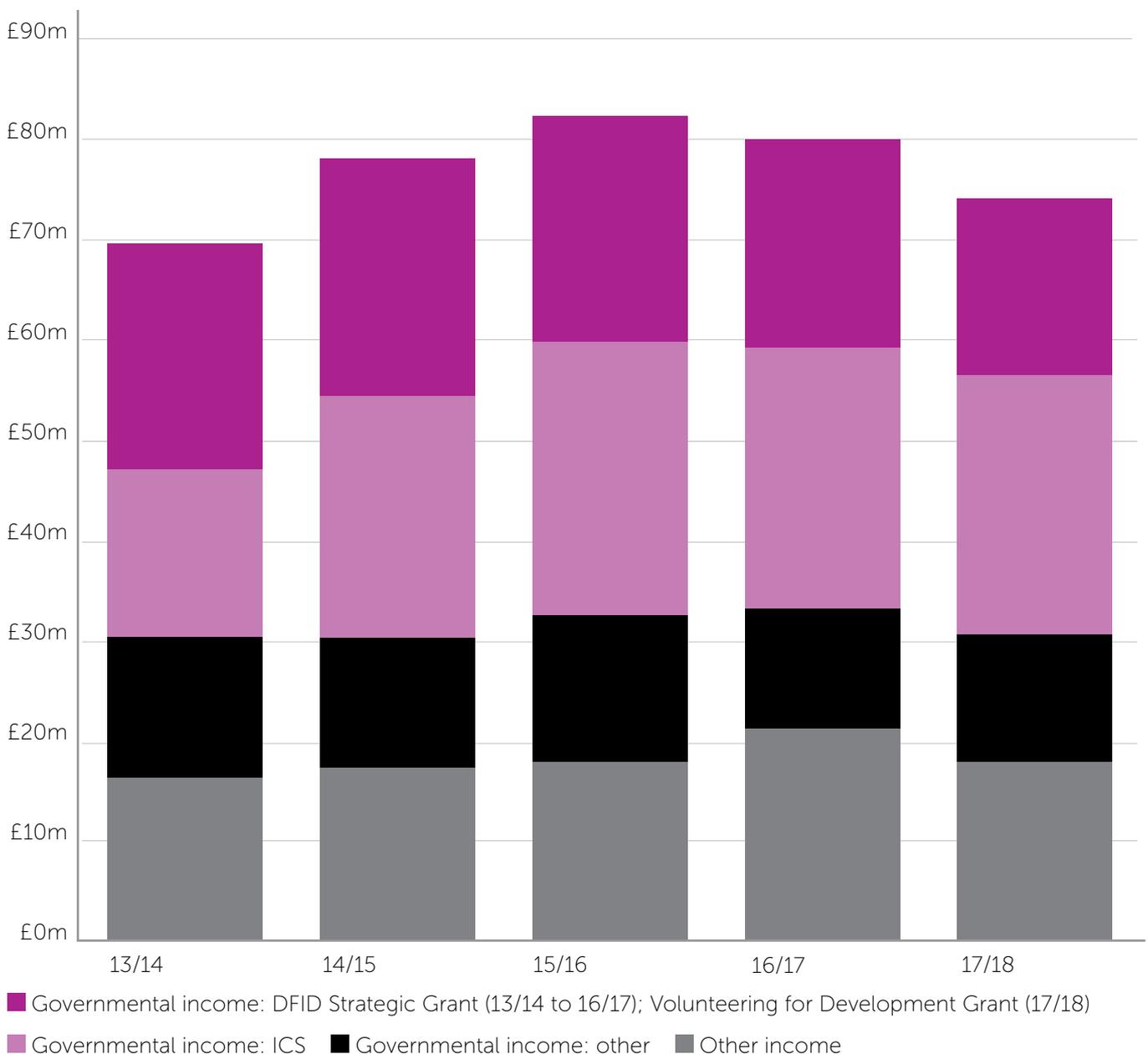
In 2017/18 income from VSO's continued partnership with DFID was £17 million. This contribution is through an Accountable Grant for the delivery of a three-year Volunteering for Development programme.

**ICS contract income (£25.9 million)** has increased by £1.1 million from 2016/17. ICS is a payment-by-results contract. The payment point is measured against each UK volunteer that achieves set stages on their volunteer journey. VSO manages and oversees the contract, working with eight respected development agencies to deliver life-

changing impact through UK youth volunteers and their national counterparts. This was the third and penultimate year of delivery of the DFID-funded ICS 2 contract. In May 2018, a one-year ICS contract extension worth £15 million was secured. This extension will enable the programme to continue while we work to secure longer-term programme funding from DFID.

**Other governmental bodies income (£12.3 million)** has increased by £0.6m as we continue to diversify and strengthen our income sources from government agencies. These include USAID, the EU and UN bodies.

## Income by type



## Other income

**Individuals (£5.4 million):** Over 40,000 regular and single-gift donors form the foundation of VSO's individual giving programme. The majority of these supporters make consistent, monthly donations.

During 2017/18, we explored a variety of fundraising activities to increase the size of this community and diversify the ways in which we attract people to support our vision of a world without poverty. One of these new initiatives – television advertising – launched in May 2018.

Supporters value all aspects of VSO's vision to end global poverty – and we run appeals that cover the spectrum of VSO's work. This year, there was a focus on education for girls, and maternal and newborn health. In May 2018 we launched an appeal in response to the Rohingya refugee crisis.

**Events and Community (£3.6 million):** We ran a number of very successful events last year, in particular the second annual VSO Volunteer Impact Awards, sponsored by the teachers' union NASUWT.

Community fundraising is also an important part of the ICS youth volunteering programme, helping to develop life skills and build confidence, while increasing understanding of International Development impact. Some 3,300 young people raised over £3.4 million in their local communities for VSO and consortia member charities.

**Major Donors (£0.6 million):** We continue to receive support from philanthropists and major donors, some of whom are able to fund major strategic projects. For example, the Youth Employability programme in Uganda. Discussions are in progress with other philanthropists to make similar, large-scale contributions. A significant number of these donors volunteered for VSO, often many years ago. Now their funding allows volunteers from all over the world – including the global south – to work alongside grassroots communities and deliver sustainable impact.

**Legacies (£0.6 million):** As of 31 March 2018, we have pledges from 660 people indicating they have



left a gift in their Will to VSO. This is an important way for people to express the values that they hold dear, and to provide the funding that can shape the kind of world they wish for their children and grandchildren. There are even more people who are considering supporting VSO in this way. We held a very successful legacy event for supporters at the British Library and will hold more of these events throughout the 2018/19 financial 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](mailto:legacies@vsoint.org) or call (+44) 20 8780 7500.**



©VSO/Tom Nicholson

## Looking forward

During 2017/18, we completed a comprehensive strategic review to inform the direction of public fundraising to 2022. The resulting Engagement and Relationships strategy includes a performance framework to monitor progress against growth targets. It also sets out our ethos and how we will fundraise. The strategy reiterates the need to treat every person with respect, fairness and sensitivity. We also recognise the value of non-financial as well as financial contributions.

We have identified five main areas with high potential for income growth: companies, campaigns, legacies, major donor/philanthropy and opening new markets outside Europe.

**Companies (£4.6 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. VSO continues to build on its relationships with Accenture, Citi, Randstad, Syngenta, Mondelēz, IBM and Vodafone. We are also developing new relationships with SAP and Berenschot through our Knowledge Exchange corporate employee volunteering platform to engage companies with the Sustainable Development Goals.

**Trusts and Foundations (£0.9 million):** Significant partnerships across our programmes have enabled us to expand our core programme activities. These partnerships include support from Comic Relief and the Big Lottery in the UK, and internationally from Dubai Cares, the MasterCard Foundation, Amplify Change, Medicor Foundation, the Pestalozzi Children's Foundation, and Stichting Weeshuis der Doopsgezinden.

For more information: Financial statements, note 2  
Income analysis

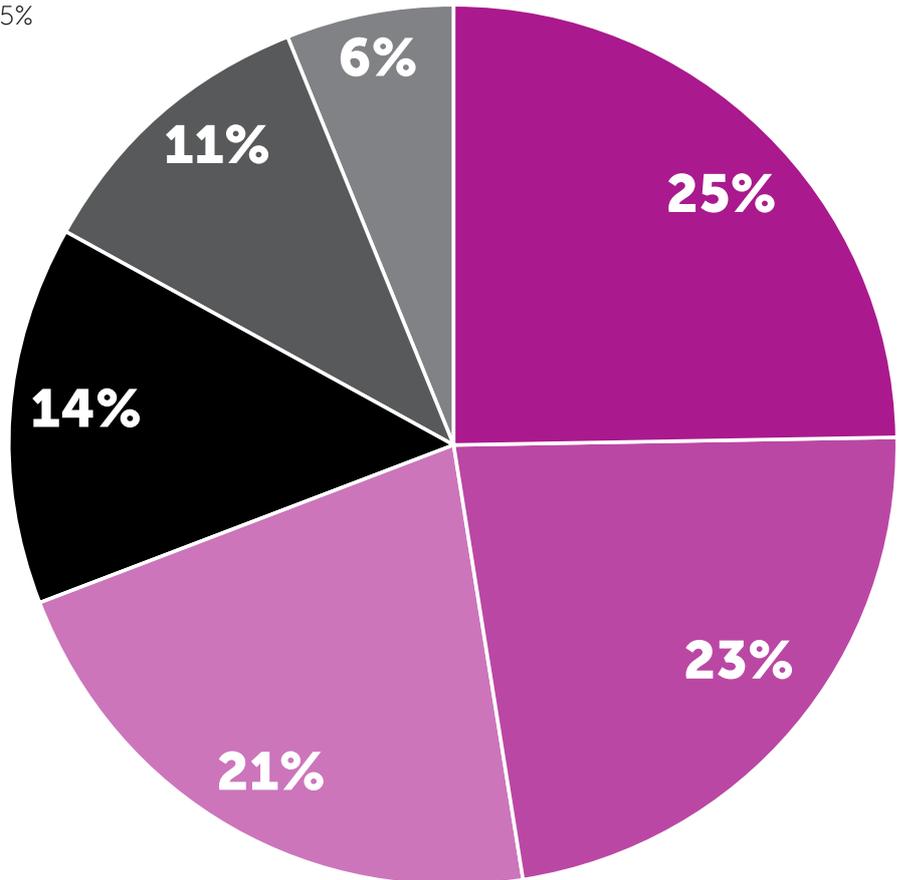
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# EXPENDITURE

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## How the money was spent 2017/18

- ICS consortium partners (contract): 25%
- Livelihoods: 23%
- Education: 21%
- Health: 14%
- Core approaches: 11%
- Raising funds: 6%

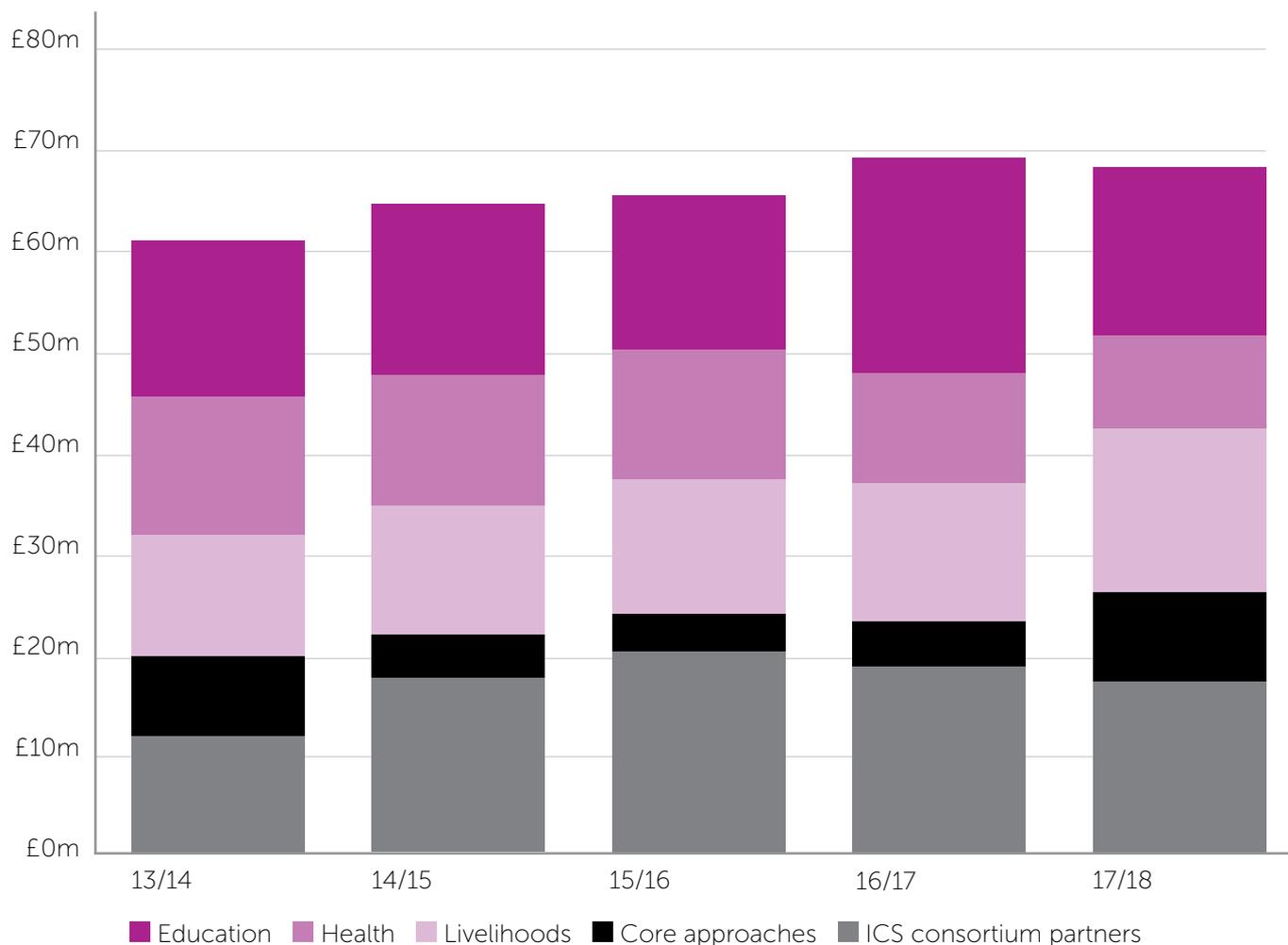


SPEND ON  
CHARITABLE  
ACTIVITIES  
FOR THE YEAR  
**£68.4**  
MILLION

### Grant-making

Under the terms of the partnership agreements that existed in 2017/18, VSO provides funds to ICS consortium partners, and in-country partner organisations, in order for them to undertake agreed activities in pursuit of VSO's aims.

## Spend on charitable activities



Our total spend on charitable activities in 2017/18 was £68.4 million.

Total spend on charitable activities has increased in the five-year period, from 85% of total expenditure in 2012/13 to 91% in 2017/18.

**Expenditure on education (£15.7 million)** is down £6 million from 2016/17. This follows a sharp increase (£6 million) the previous year. The decrease is linked to the end of the Teacher Education Support project in PNG, and the Tackling Education Needs Inclusively project in Ghana.

**Contractual payments to ICS consortium partners (£17.9 million)** for delivery against the ICS contract have reduced by £0.5 million in 2017/18 as VSO's share of the programme delivery has increased. The ICS contract is presented separately to highlight the different programme areas introduced by consortium partners.

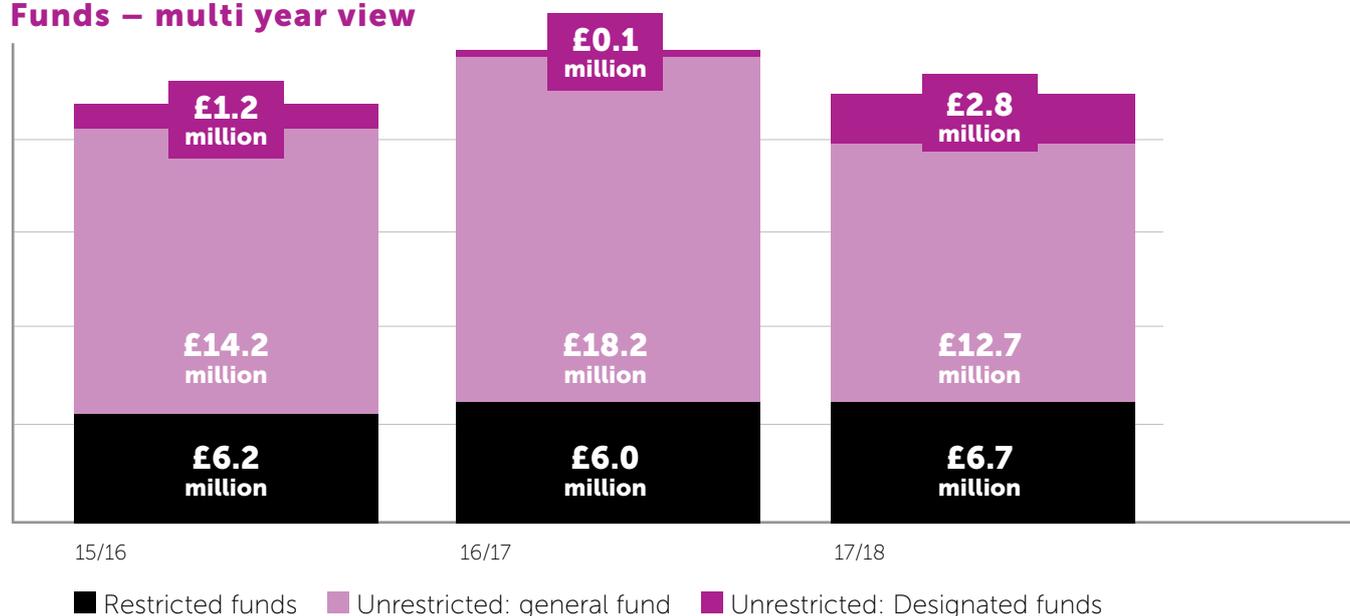
**Raising funds (£4.6 million)** costs have reduced in the five-year period, from 12% of total expenditure to 6%. This level of investment in fundraising is low and might compromise VSO's future programming. In March 2018, the trustees decided to designate a £3 million fund to invest in income generating activities over the next three years. Fundraising investments will be reviewed and key performance indicators agreed before the start of any activities. Performance will then be monitored on a monthly basis.

For more information: Financial statements, Note 3 Charitable activities.

**Exceptional expenditure (£2.7 million)** corresponds to a potential historical liability for overseas taxes across VSO's global portfolio. VSO has mandated expert consultants to undertake a review across its geographies. The liability has been prudently provided for and is being actively managed with relevant authorities. Exceptional expenditure is not part of charitable expenditure. For more information: Financial statements, Note 13 Provisions for liabilities.

# RESERVES

## Funds – multi year view



The trustees reviewed VSO's unrestricted reserves policy in March 2018. The policy prescribes the appropriate level of reserves that should be available, and the actions trustees are expected to take to maintain reserves at an appropriate level. The policy insulates against volatility in income and uncontrollable fluctuations in operating expenditure. It helps us deal with any setbacks, and provides the flexibility to take advantage of strategic opportunities.

At 31 March 2018, VSO's general reserves stand at £12.7 million, which is £0.7 million above the target level set out in VSO's reserves policy.

The designated change programme fund represents the unrestricted funds the trustees have earmarked to continue to deliver the organisational change throughout the organisation.

The designated ICS fund represents the surplus of income over expenditure relating to the ICS initial contract, less the deficit on ICS 2 contract to date. The fund covers other ICS initiatives as well as the forecasted deficit of the ICS 2 contract (see note 15).

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 (see note 20).

In March 2018, the trustees decided to designate a £3 million fund to be invested in income generating activities over the next three years. This fund will support unrestricted income growth and the income portfolio diversification.

For more information: Financial statements,

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

Closing reserves position	16/17 £m	17/18 £m
<b>Restricted</b>	<b>5,996</b>	<b>6,687</b>
<b>Unrestricted: general fund</b>	<b>18,189</b>	<b>12,671</b>
Designated: fixed asset fund	1,245	988
Designated: ICS	1,755	1,416
Designated: pension deficit	(4,102)	(3,611)
Designated: change programme	1,203	986
Designated: income generation	-	3,000
<b>Designated (total)</b>	<b>101</b>	<b>2,779</b>
<b>Total Reserves</b>	<b>24,286</b>	<b>22,137</b>



©VSO/Jeff DeKock

VSO's Community Empowerment for Deaf Inclusion (CEDI) project is helping to improve the quality of life of deaf children and their families in Kenya. Here, some of the children celebrate World Teacher's Day.

### 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 no investment in complex financial instruments. The Audit and Risk Committee reviews the policy annually. VSO's Articles give it the power to invest monies in investments, securities and property, subject to legal requirements. VSO's finance team reports regularly to the Audit and Risk Committee on the composition of investments held and their maturity profile.

In 2017/18 VSO maintained its position in short-term deposits to ensure that sufficient funds were held in liquid deposits to allow VSO to respond to significant changes in future funding. Changes in funding resulted in a reduction of cash balances as anticipated.

The ICS contract provides a working capital advance for the consortium. This advance is held by VSO and paid to consortium partners in line with agreed requirements. At 31 March 2018, £8.2 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 of the extended contract.

Closing cash and investments position	16/17 £m	17/18 £m	Variance £m
Short-term deposits	11,752	11,725	(27)
ICS working capital advance	6,206	3,740	(2,466)
Cash at bank: UK	12,436	9,507	(2,929)
Cash at bank: overseas	1,490	2,485	995
<b>Total</b>	<b>31,884</b>	<b>27,457</b>	<b>(4,427)</b>

Cash held overseas continues to be managed with VSO's programme offices on a monthly basis. This ensures sufficient funds are available whilst monitoring and minimising the impact of foreign exchange fluctuations on non-sterling deposits and the risks of holding funds overseas.

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# PRINCIPAL RISKS AND UNCERTAINTIES

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**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 the acceptance and management of risk is necessary to achieve our key objectives.**

Safeguarding has been very much in the news this year. Organisations working in the international development and humanitarian sector are quite rightly held to a higher standard than other organisations. VSO – like all other organisations working in this field – has been asked to assure those that fund us that our approach is robust. We have done that. Ensuring that we have high standards of medical, security and safeguarding in place is a key part of our 'licence to operate'. We describe in detail how our approach to safeguarding is governed and managed on page 53. As a result of the mitigating controls we have in place, we do not consider safeguarding to be a principal risk. However, we are not complacent and are constantly assessing and reassessing our approach in this area.

**“At VSO, we have embraced a culture where zero tolerance means ensuring everyone is clear about what is appropriate and acceptable and what is not. It is about ensuring all our colleagues are encouraged to speak out and challenge inappropriate behaviours wherever they see them. It means continually looking to improve the processes and practices we have in place to keep both our staff, and the most vulnerable people we help every day, safe from harm of any kind.”**

**Philip Goodwin, CEO**

## **Risk management**

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.
- The table opposite captures the principal strategic risks after mitigating controls currently in place. The residual risk of other significant risks, such as security and safeguarding risks, are considered lower than the risks presented here.
- These risks and mitigating actions are discussed with, and reviewed by, the Audit and Risk Committee and VSO's International Board.

Risk and potential consequences	Risk management
<b>Positioning and marketing</b>	
<p><b>Positioning and marketing with external stakeholders</b> does not adequately reflect the value of VSO. This leads to us not identifying and realising income opportunities which, in turn, undermines the delivery of our strategy.</p>	<p><b>Controls in place</b></p> <ul style="list-style-type: none"> <li>• Regular business reviews of our global portfolio of work to check that it reflects where VSO can best add value as an organisation.</li> <li>• Marketing Team supports the organisation positioning from this content.</li> </ul> <p><b>Progress in the year</b></p> <ul style="list-style-type: none"> <li>• Our Business Development Team developed a plan and strategy. It will be further developed over the coming year to better reflect where VSO adds value as an organisation.</li> </ul> <p><b>Further actions</b></p> <ul style="list-style-type: none"> <li>• Review how we brand and market the organisation with stakeholders to ensure there is a strong understanding of who we are as an organisation and what we can offer.</li> <li>• Business Development plans to be reviewed to reflect VSO's value proposition and what we offer to those who support our work.</li> <li>• Undertake a full review of the different supporters, advocates and funders of our work to ensure we are engaging with them effectively.</li> </ul>
<b>Insufficient unrestricted income</b>	
<p><b>Insufficient unrestricted income</b> to invest in organisational growth and guarantee organisational independence.</p>	<p><b>Controls in place</b></p> <ul style="list-style-type: none"> <li>• Business Pursuit, Marketing and Public Fundraising plans in place to support People First and VSO Operational Plan.</li> <li>• Performance Framework and targets monitored quarterly.</li> <li>• Budgeting performance processes in place to maximise use of unrestricted funds.</li> <li>• Reserves management.</li> </ul> <p><b>Progress during the year</b></p> <ul style="list-style-type: none"> <li>• Processes in place to generate full cost recovery on all work.</li> </ul> <p><b>Further actions</b></p> <ul style="list-style-type: none"> <li>• Exploring opportunities in new markets (Asia and Africa) where we have a presence for additional sources of unrestricted income.</li> <li>• Developing our commercial contract pipeline. If well managed, commercial contracts have the potential to generate an unrestricted surplus which can be invested in further VSO work.</li> </ul>

Risk and potential consequences	Risk management
<b>Our ability to deliver our work with young people</b>	
<p><b>Our ability to deliver our work with, through and for young people</b> is undermined because of lack of direct funding for youth programming.</p>	<p><b>Controls in place</b></p> <ul style="list-style-type: none"> <li>• Senior ownership of key relationships with those major statutory funders of youth programming.</li> <li>• Youth position statement clarifying VSO's vision and capability in place. The statement defines the business case to pursue youth volunteering and programmatic opportunities.</li> </ul> <p><b>Progress in the year</b></p> <ul style="list-style-type: none"> <li>• The quality and impact of our DFID funded ICS programme has been recognised: ICS received an A* rating from DFID for the year 17/18.</li> <li>• A one year bridging extension contract has been secured to prevent a gap in programming, volunteer placements and loss of staff talent.</li> </ul> <p><b>Further actions</b></p> <ul style="list-style-type: none"> <li>• Business Development Team positioning for a range of youth programming opportunities.</li> </ul>
<b>Volunteer recruitment</b>	
<p><b>Inability to recruit sufficient quality volunteers</b> weakens our ability to deliver volunteering for development programmes and undermines our reputation with funders.</p>	<p><b>Controls in place</b></p> <ul style="list-style-type: none"> <li>• In-country local Programme Development Teams design volunteer roles in line with information on market availability and learning from other programmes.</li> <li>• Volunteer pipeline targets are developed for each programme area of work – the target is to have three appropriate candidates for each role.</li> <li>• Programmes and People Resourcing ensure visa issues are well understood and included in project development and activity planning.</li> <li>• Talent pool (international) is available to view on the VSO system, in-country recruiters are able to view and shortlist candidates.</li> </ul> <p><b>Progress in the year</b></p> <ul style="list-style-type: none"> <li>• Operations Directors and Global People Resourcing Team lead and monitor performance using strong feedback loops and available data. Proactive monitoring of demand and ability to fill on time.</li> <li>• Proxy indicators on quality are monitored (e.g. qualitative early returns, Volunteer Status Reviews).</li> </ul> <p><b>Further actions</b></p> <ul style="list-style-type: none"> <li>• Build relationships with specific recruiting partners for the international volunteer pipeline.</li> <li>• Improve the usefulness of the global database and dashboards (e.g. including national community volunteers).</li> <li>• Improve visibility of local demand on VSO system; ensure they are logged early enough to fill on time.</li> <li>• Review of 'time to fill' metrics and related processes to be undertaken in 17/18.</li> </ul>

Risk and potential consequences	Risk management
<b>Data management and data protection</b>	
<p><b>Data management and data security</b> is not adequate, leading to loss, mismanagement, or inappropriate access of sensitive information.</p>	<p><b>Controls in place</b></p> <ul style="list-style-type: none"> <li>• Annual IT security review and penetration testing; most applications are hosted 'in the cloud' for security reasons.</li> <li>• Retention policy for digital and paper-based records; compliance tested as part of internal audits.</li> </ul> <p><b>Progress in the year</b></p> <ul style="list-style-type: none"> <li>• Information Security and Data Protection training for all staff.</li> <li>• Clear consent and legitimate interest confirmations in place for communications to European (UK, Ireland and Dutch) supporters.</li> <li>• Additional controls implemented for email screening and network security.</li> <li>• Subject access request procedures have been tested and documented.</li> </ul> <p><b>Further actions</b></p> <ul style="list-style-type: none"> <li>• Relaunch data protection and data retention policy.</li> <li>• Define continuing stakeholder engagement plans and how these will align with data protection and data management requirements globally and locally.</li> <li>• Put in place overall technology strategy for VSO.</li> </ul>
<b>National operating environment restrictions</b>	
<p><b>National governance and operating environment restrictions</b> weakens our ability to deliver volunteering for development programmes.</p>	<p><b>Controls in place</b></p> <ul style="list-style-type: none"> <li>• Monitoring of potential changes for INGO registration, tax and employment regulations.</li> <li>• Open communication with all recruitment stakeholders and candidates regarding timing and possible delays in getting visas and work permits.</li> <li>• Maintaining location security risk assessments for areas where there are international VSO people present / operating.</li> <li>• Managing local administrative requirements (e.g. specific ratios around expenditures on administrative to programmatic work, use of local suppliers) on a case-by-case basis.</li> </ul> <p><b>Progress in the year</b></p> <ul style="list-style-type: none"> <li>• Review of employment tax status in all countries where VSO operates.</li> </ul> <p><b>Further actions</b></p> <ul style="list-style-type: none"> <li>• Building relationships with relevant authorities to address programmatic restraints.</li> <li>• Civil society advocacy around interpretations of the NGO laws.</li> </ul>



# GOVERNANCE



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# STRUCTURE, GOVERNANCE AND MANAGEMENT

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## Our organisational structure

Voluntary Service Overseas (VSO) is a company limited by guarantee, registered in England and Wales (registration number 703509). VSO is also registered as a charity in England and Wales (registration number 313757) 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.

VSO operates internationally largely through branch offices. Exceptions to this are:

- Voluntary Service Overseas (Ireland) Limited Company Limited by Guarantee, which is a subsidiary of VSO and incorporated as a charitable entity in Ireland.
- India VSO, which has agreements in place with the independent Indian charitable organisation, VSO India Trust. These agreements permit the Trust to carry out VSO's work using the VSO trademark.

- Stichting VSO Netherland, which is a Dutch independent charitable organisation that has agreements with VSO, including a trademark license, and whose accounts were integrated with VSO's as of April 2018.

In March 2018 Voluntary Service Overseas USA, Inc. was incorporated, and an application has been made to register this entity as a US 501 (c) (iii). The US market presents an excellent opportunity for future funding. We hope that the registration of VSO in the US will help us build greater support for our work globally.

Through this more integrated structure we are able to deliver VSO's mission more effectively globally. It helps us respond more quickly to challenges and opportunities as well as reducing duplication of work and administration.



\* British Executive Service Overseas Limited has been dormant for several years and an application has been made to strike it off the register of companies.

\*\*Beijing VSO Consulting Company Limited is being wound up.

## Our governance and management

The International Board of Trustees set the strategic direction for VSO and ensure we meet our objectives. The International Board oversee governance and are responsible for upholding the organisation's values. Some tasks of the International Board are delegated to Board committees. In these cases there are clear terms of reference and reporting processes.



The International Board approves and monitors the implementation of VSO's long-term strategy, operational plan, objectives and budget. It approves and monitors key policies, constitutional changes and the appointment of the Chief Executive Officer. They do this through a formal schedule of delegation. This outlines reserved decisions and records how operational authority is maintained.

The International Board meets three times a year in person, four times a year via telephone. The members receive management information on organisational performance on a quarterly basis.

As part of our approach to inclusion, we have appointed two youth observers, Felix Owino from Kenya and Takiyiwa Danso from the UK, to our International Board. Both were volunteer team leaders as part of the ICS programme. They attend meetings and take part in all International Board activities. They do not have voting, legal or fiduciary responsibilities but their voice is an important part of our decision-making process.

### Trustees

The International board members are all volunteer trustees. They are usually appointed to the International Board for an initial period of three years. This 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.

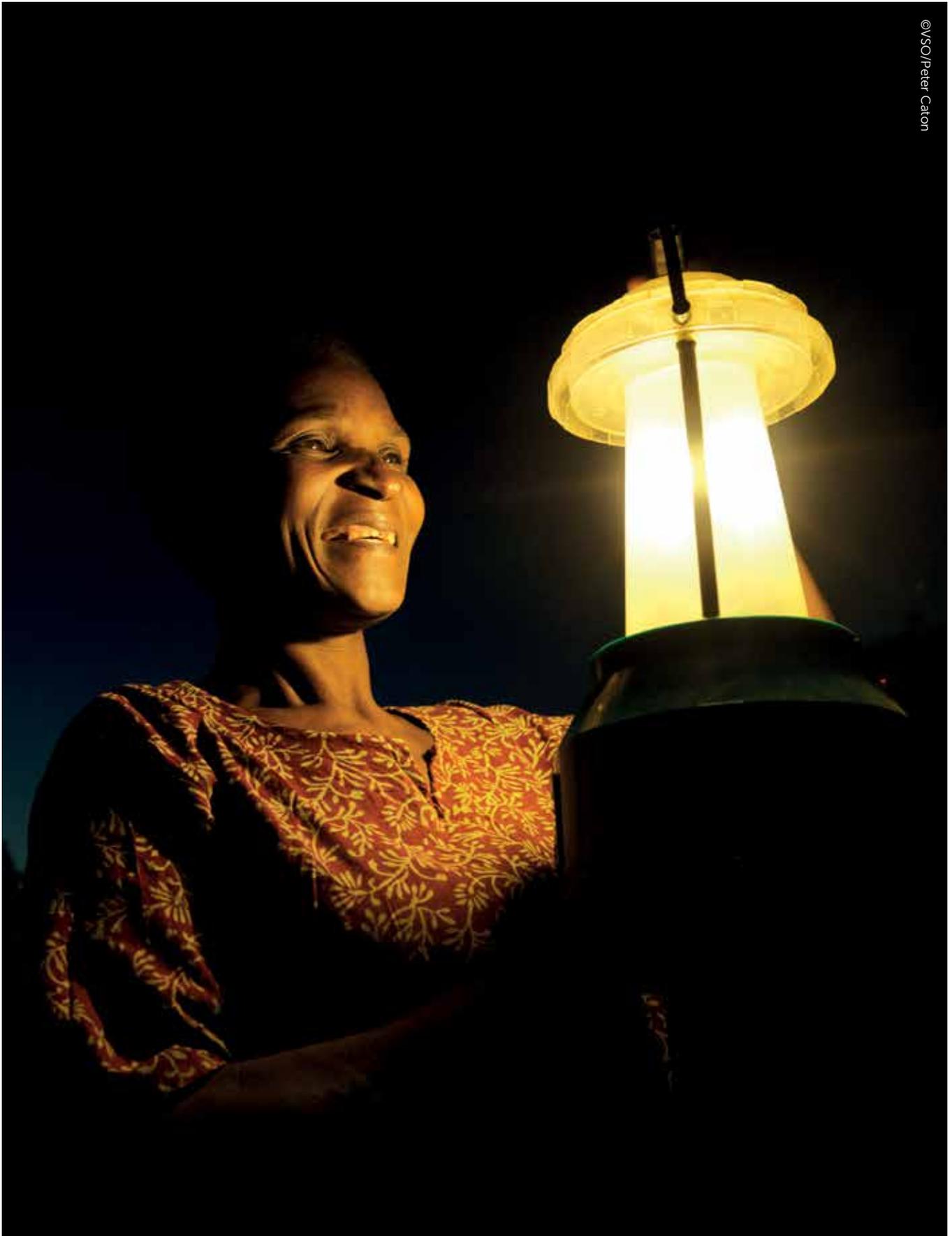
Trustees are recruited through an open selection process. They receive a comprehensive induction on appointment. They also receive ongoing training and engagement throughout their term of office. They

participate in field visits to VSO programmes, and act as expert advisers to VSO working groups.

This year the trustees took part in a half-day session on the new Charity Governance Code. The Charity Governance Code, authored by a grouping of sector bodies, and endorsed by the Charity Commission, was published in July 2017. VSO warmly welcomes the Code. We are using it to review and continuously improve the quality of our governance.

We have been reassured by our consideration of our performance against the Code but have identified a number of areas where we intend to take action. We will institute a regularly scheduled review of our charitable purposes and our Trustee roles and time commitment. We will introduce individual annual appraisals for Trustees and the Chair and ensure that Trustee recruitment fully reflects the Code's aspirations. We will formally benchmark our performance against that of other charitable organisations and regularly review how VSO makes itself accountable to its stakeholders. We will also continually review Board diversity as a factor of Board performance.

Review of performance of the International Board is a continuous process. Feedback is requested by the vice-chair and received after each board meeting. This then contributes to the planning of the next meeting. There is an annual self-evaluation by Board members. Every three years an evaluation is carried out by an independent body. The next independent evaluation will next take place in the financial year 2018/19. Individual trustees make annual commitments to VSO over and above their responsibilities as directors and members.



VSO, in partnership with Barefoot College, is implementing the Solar Mama Rural Electrification project in Malawi. Dines Msampha, 42, is one of eight women from eight communities to be trained as a solar engineer and has seen her monthly income double as a result.

## International Board of Trustees



**Mari Simonen \***  
Chair

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



**Chris Merry ^**  
Honorary Treasurer

Chief Executive Officer, Ipes Group. (Appointed July 2017)



**Stephen Pidgeon ^**

Previous VSO volunteer in Papua New Guinea; founder of marketing agencies, Tangible and Brightsource; fundraiser, speaker teacher, consultant, author and conference presenter.



**Charles Abani**

Former VSO Nigeria Country Director; Chief of Party of the USAID Civil Society project – Strengthening Advocacy and Civic Engagement, Nigeria.



**Guus Eskens**

Board member, VSO Netherlands; Chair of Supervisory Board of I+ Solutions Woerdex; Board member of Health Net TPO, Amsterdam. (Appointed March 2018)



**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.



**Amanda Rowlett CBE \***

Senior Civil Servant.



**Baroness Hilary Armstrong**

Previous VSO volunteer in Kenya; Member of the House of Lords; previous member of VSO's parliamentary volunteer scheme in Tanzania.



**Dr Noerine Kaleeba**

Patron and founder of TASO Uganda; Vice Chair Uganda National Health Research Organisation; Chief Executive Officer Nnabagereka Development Foundation.



**Hardeep Jhutti**

Previous VSO Global Xchange volunteer in Sri Lanka; Deputy Head of System Finance Reform at NHS England; Vice Chair of Hillingdon Carers.

## Independent International Board sub-committee members



**Jose Gonsalves ^**

Co-opted member of the Audit and Risk Committee.

## Former members International Board of Trustees



**John Bason ^**  
Honorary Treasurer

Finance Director, Associated British Foods Plc; Chairman of FareShare, UK; former VSO volunteer in Ghana. (Resigned July 2017)



**Anjali Sen ^**

Regional director, International Planned Parenthood Federation, South Asia region, India; acting director external relations, IPPF Central office, London. (Resigned March 2018)

\* Governance Committee member ^ Audit and Risk Committee member



Members of VSO and Cocoa Life’s enterprise training group baking products to sell in their communities in Tutuka, Ashanti Region, Ghana.

## Management through the Executive Board

The International Board delegates VSO’s day-to-day management to the Executive Board. The Executive Board has operational oversight of VSO’s global work. As well as the CEO, the Executive Board has four Executive Directors. Each of these is responsible for a functional area of VSO’s work: programmes, business development, people, and finance.

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 undertakes a formal quarterly review of performance against VSO’s operational and financial objectives. This is done in collaboration with colleagues across the organisation. The Executive Board reports back on performance to the International Board through the Quarterly Business Review process.

### The Executive Board



**Dr Philip Goodwin**  
Chief Executive Officer



**Donné Cameron**  
Executive Director of Programmes



**Kathryn Gordon**  
Executive Director of People



**Fabienne Arminjon**  
Executive Director of Finance  
and Corporate Services

### Former members of the Executive Board



**Sam Bridger**  
Interim Executive Director of  
Business Development  
(December 2017 – May 2018)



**Andrew Webb**  
Executive Director of Business  
Development  
(Resigned November 2017)

## Ways of working

We are guided by our organisational values to be inclusive, accountable, and to build resilience in the way that we work and operate. We are committed to being reflective in our practice and to continuous learning. These values are reflected in our approach to safety and security, health and safeguarding, and to our people policies, including pay, whistleblowing, modern slavery, and our approach to fundraising and data protection.

## Security, health and safeguarding

The safety, security, health and well-being of our volunteers, employees and those who work with us is paramount. Our global team members at VSO include medical, security and safeguarding professionals. These individuals provide expertise in planning and prevention, but also come together to support individuals and groups when an incident occurs. This year we have enhanced this team with members with additional psychosocial and mental health experience. Locally in each country we have security focal points, safeguarding leads and people-manager colleagues.

We operate a formal system of incident reporting and management. This has been developed over the last three years. The principles are based on:

- **Zero tolerance:** all volunteers and employees at VSO are required to report all safeguarding concerns. These range from incidents of an inappropriate conversation or instant messaging, to a serious sexual assault. As individuals continue to become familiar with, and trusting of, the reporting requirements we expect reported incident numbers to increase. Zero tolerance unfortunately does not mean zero incidents.
- **Cross-functional teamworking:** we bring together all those needed to provide support as early as possible. There is always more than one issue or perspective that helps us to deliver a more comprehensive response.
- **Survivor-centred approach to sexual violence:** working within the framework of our practical and comprehensive 'Responding to Sexual Violence Toolkit', we are led in our actions by considering what is best for the survivor. We continue support for as long as required.
- **Transparency:** we advise the right people, and report to all the appropriate authorities and to the donor. We follow the guidelines and definitions of the Charity Commission in our reporting of serious incidents to them.
- **Learning:** all serious incidents are thoroughly investigated. We respond fully to internal and external incident reviews by demonstrating the validity of existing measures and identifying areas

of improvement. An independent, external review is completed for all crisis incidents. We undertake an annual systematic audit of all safety and security practice by an independent professional.

## Incident categories and definitions

**Medical** incidents can vary from people having a minor illness which keeps them off work for a few days, to people having a serious illness or injury which requires hospitalisation, transfer to another country with better medical facilities or return home.

**Security** incidents can range from non-violent robbery or police detention, to political or civil unrest near to volunteer locations, as well as potentially hazardous environmental conditions.

**Safeguarding** incidents are defined as any act of discrimination, neglect, harm or abuse, and includes sexual harassment (unwelcome sexual advances without touching), sexual assault (sexual touching without consent) and rape. VSO places a mandatory obligation on all employees, volunteers, contractors and partners to report safeguarding concerns, suspicions, allegations and incidents that indicate actual or potential abuse or exploitation of vulnerable people.

**Critical** incidents are defined as any localised event that results in a temporary interruption to operations or services; limited and localised damage to assets; sexual assault (non-penetrative forms of non-consensual sexual contact); localised minor reputational damage; limited financial loss to the organisation; or illness or injury that requires emergency assisted transport. A critical incident is an event that does not require out-of-country intervention, and if untreated or not effectively managed may escalate into a crisis.

**Crisis** incidents are defined as any event that results in: a continued interruption to operations and services; significant damage to assets; rape; kidnapping; loss of life; significant financial loss; major reputational damage; loss of donor confidence; damages resulting from legal action or accidents involving multiple casualties; life-threatening injuries that cannot be stabilised locally and disease outbreaks requiring relocation. All crisis incidents are reviewed by an external advisor.

Crisis and critical incidents occurring during the delivery of the DFID-funded ICS contract, including those of ICS sub-contracted agencies, are reported immediately to DFID. All other incidents are reported quarterly.

## Incident numbers

The detail below gives the complete numbers of incidents reported across the whole spectrum, from minor to critical to crisis incidents. The overwhelming majority of incidents reported were classified as 'minor'. We had six crisis incidents in 2017/18.

	Medical Cases	Security incidents
Across the <b>whole</b> VSO global portfolio of work (including the ICS programme)	656	254
International Citizen Service Programme (ICS) <b>only</b> (subset of total data)	602	206

We recorded a total of 60 safeguarding incidents during the year. Again, the overwhelming majority of these would be formally classified as 'minor'. By their nature, they are often also safety or security incidents, and may also be or become a medical case. We record them all so that we can continue to improve the effectiveness of our safeguarding practice.

Our commitment to prevention is reflected in:

- taking a zero tolerance approach to breaches of expected behaviours of employees and volunteers
- encouraging reporting of all and any concerns and observations
- recognising where what is often deemed an "other incident" can require protection measures to be put in place for individuals, e.g. when an historic disclosure is made during placement.

Three of these safeguarding incidents were serious sexual assault. In each case, both the survivor and alleged perpetrator were volunteers. These incidents were managed by our incident team and ongoing support has been provided to the individuals involved.

A further 23 of these incidents involved conduct of a sexual nature. At VSO we expect all safeguarding incidents to be reported and dealt with as part of our zero tolerance approach. Such incidents can range from unwelcome sexual advances without touching - including requests for sexual favours (digitally or in person), and other behaviour which creates a hostile or offensive environment for an individual - to any type of sexual touching without consent, with or without force.

Identifying where someone may be vulnerable, a distressed volunteer for example, and ensuring early intervention and support also forms part of our proactive safeguarding practice and approach to prevention of harm. This does not always

involve behaviour of a sexual nature. Concerns can be raised in relation to the status of an individual's mental health or the circumstances in which the placement was being operated.

We always reflect on our safety, security and safeguarding practice and strive to make continuous improvements.

## Our approach to safeguarding

VSO has zero tolerance of abuse and exploitation of vulnerable people. Protecting children, young people and vulnerable adults from harm is central to achieving our vision of ending global poverty. As an organisation we recognise our responsibility to ensure:

- that our employees, volunteers, and other partners we work with do no harm to children, young people or vulnerable adults
- that we do not expose children, young people or vulnerable adults to the risk of discrimination, neglect, harm or abuse
- that any concerns we have about the safety of vulnerable people within the communities in which we work are dealt with and reported to the appropriate authorities
- that we protect our employees and volunteers when they are vulnerable, for example, when ill or at risk of harm or abuse.

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. To maintain a safe and trusted environment, security checks are carried out on all volunteers and employees who will be working directly with children, young people or vulnerable adults.

We have a clear process for raising concerns and how to manage these effectively. Any concerns relating to safeguarding can be sent to a confidential safeguarding e-mail address.

Where necessary we collaborate with our colleagues in our medical and security team to ensure we have a co-ordinated and comprehensive response.

There are designated Safeguarding Leads in each of our offices, responsible for handling reports or concerns. They are all professionally supported from the global team who have extensive experience in managing effective safeguarding practice.

VSO is committed to continually strengthening our safeguarding practice. We invest in building the expertise of individuals within the organisation and seek expert external advice where required.

### **Statement on whistleblowing**

VSO believes that corrupt practices undermine the fairness, efficiency and effectiveness of governments,

NGOs, private sector and civil society / community-based organisations. We aim to maintain the highest standards of openness, decency, integrity and accountability in our work.

VSO's Criminal Practices and Whistle-blowing Policy underpins our operational practice in the areas of fraud and risk. We encourage all employees, volunteers and external parties with suspicions about criminal practices, misconduct, or serious concerns about any aspect of VSO's work, to follow our whistleblowing process. They are encouraged to report any serious concerns they have, without fear of punishment or unfair treatment.

We have mandatory online training on criminal practices and whistleblowing for all staff and volunteers so the process of reporting is fully understood.



©VSO

**Rasel Ahmed Khan, 27, from Bangladesh, was trained by VSO on electrical house wiring at the local governmental Technical Training Centre (TTC). Rasel is now employing seven people and has 1,000 contracts on his books.**

Through VSO's 'zero-grazing' course, Rumana Khatun, 18, from Bangladesh, learnt how growing grass and rearing livestock separately could improve her business. She took this knowledge and built a structure to house her seven goats. She is now benefiting from increased income.



## Our approach to pay

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.

VSO is committed to ensuring all employees are compensated fairly for their role. External competitiveness is achieved by benchmarking salaries against actual pay for similar positions in comparable organisations. VSO does not operate a bonus scheme.

Our leaders and managers work with our employees to support their performance and development. They do this by supporting them to use their skills and experience to the best of their abilities, and to keep on learning together. We recognise and incentivise

our people to perform by creating a positive working environment and providing interesting and purposeful roles. This approach is in line with our People First principles, which underpin all our work at VSO.

The remuneration framework identifies a range of pay for roles, depending on the location of the work. The banding level for each role is determined by considering:

- job purpose – the scope, depth and difficulty of the work
- level of engagement – 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.

The total cost to VSO for remunerating the Executive Board is currently £634,300.



## Gender pay reporting for UK employees

At VSO the difference in mean (average) pay between male and female employees in the UK in the period to 5 April 2018 was 5.9% (compared to 5.9% to 5 April 2017).

We have narrowed the gap between the median pay of male and female employees in the UK in the period to 5 April 2018 from 4.5% in 2017/18 to 3.5%.

This is significantly less than the average figure of 19.3% for organisations of our size.

During the year 2017/18 the number of males in the top quartile of pay has decreased from 50% to 45%, reducing the median pay gap.

	Quartile 1 (lowest)	Quartile 2	Quartile 3	Quartile 4
Male	30% (33%)	36% (37%)	35% (34%)	45% (50%)
Female	70% (67%)	64% (63%)	65% (66%)	55% (50%)

2017 figures shown in ( )

Note: VSO does not pay bonuses, therefore the above statutory reporting metrics are all that apply.



©VSO/Damruzzaman

**VSO ICS Volunteers James Keen, 22, (right) and Saifullah Mahmud, 23, (left) are working as part of a team to improve governance and empower young people living in rural Bangladesh.**

**Our approach to equal opportunities**

VSO has a global Code of Conduct in support of our vision, mission and values. It sets out the standards and expectations of employees and volunteers. The Code of Conduct covers professional ethics, integrity, acting as a representative, and safeguarding. It overarches all of VSO’s policies and procedures, which guide conduct and behaviour. It supports our commitment to creating a safe and inclusive working environment.

VSO is committed to the principle of equal opportunities and diversity. We treat employees, volunteers and applicants for jobs fairly. We 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.

VSO is committed to creating a productive environment, representative of, and responsive to, different cultures and groups, where everyone has an equal chance to succeed at all levels.

We ensure 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. This is in keeping with our approach to development with its focus on inclusion, accountability and

resilience. Equal opportunities is a fundamental part of our approach to leaving no one behind.

VSO is committed to ensuring that all employees and volunteers understand social inclusion and gender issues. We continue to invest in exploring inclusive practices. This means providing time for all employees, volunteers and partner organisations to discuss and reflect on how the many forms of discrimination – unequal power relations, gender, and ethnic affiliation – can perpetuate poverty. This ensures our programming approach and our internal practice on equal opportunities are aligned.

### **Modern slavery statement**

VSO is committed to ensuring that there are no instances of modern slavery or human trafficking occurring within its global organisation or its supply chains. It has a strict zero tolerance approach.

VSO is focused on ethical and responsible business practice in our global supply chains and will continue to review and improve in this area.

In keeping with VSO's mission of fighting poverty, wherever possible we source goods and services locally in the countries we operate. Our supplier base is broad and diverse and is comprised of organisations best able to meet our requirements.

Having assessed risks of trafficking and abuse identified under the Modern Slavery Act 2015, VSO assesses that potential risks are no less in respect of activities within the UK than in our other countries of operation and we are committed to high levels of vigilance wherever we operate. If an existing supplier were to be suspected of having links to involvement in modern slavery, interaction with that supplier would immediately cease.

VSO's supply chain activities are managed under the guidance and leadership of our central procurement function and in accordance with our Global Procurement Policy. The Policy was last updated in January 2017.

Our Global Procurement Policy requires all staff and volunteers, regardless of their role and for all procurement whatever the value, to follow the procurement principles of fairness, transparency, ethical behaviour, compliance and value for money.

The Policy also states 'Procurement activity must not support organisations involved in criminal activity such as fraud, corruption, forced labour (modern slavery) and other human rights abuses.

The Procurement Policy demands that whoever is involved in procurement must also refer and adhere to our other relevant HR Policies:

- Global Code of Conduct Safeguarding and Child Protection Policy
- Global Criminal Practices and Whistleblowing Policy
- Data Protection Policy

We have reviewed and updated our Global Code of Conduct, our Safeguarding and Child Protection policy and our Data Protection policy within the year. Adherence to our Global Procurement policy is included within our routine internal audits.

For high value or high risk procurement, our pre-qualification questionnaire for tenders requires suppliers to declare whether they, or anyone in their organisation, has been involved in offenses under the Modern Slavery Act (among many other criminal or illegal acts). Suppliers are also required to state if they use sub-contractors and whether they have processes in place to check whether any of the above circumstances apply to their subcontractors.

Before contracts are awarded due diligence checks are done on suppliers. The level of due diligence undertaken is related to the value of the procurement and the nature of the goods being purchased.

Due diligence is carried out at country office level and includes, but is not limited to, numerous sanctions lists checks (which contains names of individuals or organisations who are known to be involved in financing crime or terrorism), reference checks, and site visits where appropriate. In some instances donors may also require additional specific due diligence activities to be carried out.

Training to heighten awareness of modern slavery and how to report it is incorporated into our criminal practices awareness training, which is mandatory for all staff as part of their induction.

VSO's statement in fulfilment of its statutory obligation in accordance with Section 54 of the Modern Slavery Act 2015 can be found on the VSO website.

## Our approach to terror checking

VSO recognises that working globally and in the development sector could expose us to risks arising from terrorist activity. We are committed to ensuring that VSO's funding is never diverted for such purposes. As part of our compliance processes VSO carries out anti-terror checking of all new volunteers, partners (including their most senior staff) and suppliers to ensure this risk is minimised. These checks are in addition to careful reference and Disclosure and Baring Service (DBS) checks.

## Our approach to fundraising

VSO adheres to 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 2017/18: direct mail, telemarketing, email communications, and video and digital advertisement. All recruitment of new supporters in 2017/18 came from digital activity.

VSO has a vulnerable persons policy. Training is given 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.

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 2017/18 a new and more robust procedure was put in place to deal with complaints.

VSO continues to report to the Fundraising Regulator on the number of complaints received in response to our fundraising activity. In 2017/18 this number totalled 19. Complaints are logged and responded to within one working day and all 2017 complaints were fully resolved.

In 2018 following a dispute with a former Corporate Volunteer in Tanzania the Fundraising Regulator made a finding against VSO. VSO has accepted the finding, apologised to the volunteer, and has put steps in place to ensure that such disputes will not recur.

A complaint was raised with the Fundraising Regulator in relation to VSO's "Let Girls Learn" campaign and pop up advertisement on Facebook. The complainant had





©VSO/Ahmed Abdullah

a concern that statistics quoted in the advertisement might have been exaggerated. The Regulator found no evidence of any intention to mislead but recommended that all statistics quoted in such advertisements be carefully checked to ensure donors are never misled. The Regulator also recommended that evidence supporting the statistics quoted be placed on the VSO website. VSO has accepted the findings.

### **Our approach to data protection**

VSO has been planning and preparing for two years for 25 May 2018, the date when the General Data Protection Regulation (GDPR) became effective. We operate a compulsory awareness training programme for all staff and volunteers. We have reviewed all areas of work to ensure that we protect personal data as an organisation, use it only for clear and stated reasons and that we store and transfer it safely in line with the requirements and principles of GDPR.

We have reviewed our data retention and other relevant policies to ensure we retain personal data only as needed. We also operate cyber systems to protect our IT, including compulsory training for all staff.

We have had no reportable breaches of data security in the year.

### **Our volunteer workforce**

In 2017/18, the role of volunteers contributing to our work continued to expand. Over 550 people contributed over 48,000 hours to VSO as part of our voluntary workforce; an equivalent of 26 full-time employee roles. These individuals supported volunteering for development as Researchers, Auditors, Data Enumerators, and Translators. They input into programme development, office administration, event co-ordination, training, volunteer selection and more.

Across many countries, including the UK, Nigeria, and Nepal, VSO People discovered new and continuing ways to stay engaged with the VSO mission, giving us the opportunity to take account of local context and provide flexible responses effectively.

For example, in Kenya, three sign language interpreters supported the recruitment of hearing-impaired volunteers so they could participate fully in the International Citizen Service Programme (ICS).

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# REFERENCE AND ADMINISTRATION DETAILS

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**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 U.K. LLP, St Bride's House, 10 Salisbury Square, London EC4Y 8EH

## For more information

**Website:** [www.vsointernational.org](http://www.vsointernational.org)

**Facebook:** [www.facebook.com/vso.international](http://www.facebook.com/vso.international)

**Twitter:** [www.twitter.com/VSO\\_Intl](http://www.twitter.com/VSO_Intl)

**Instagram:** [www.instagram.com/vsointernational](http://www.instagram.com/vsointernational)

**YouTube:** [www.youtube.com/user/vsointernational](http://www.youtube.com/user/vsointernational)

## Have a question or feedback?

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

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# STATEMENT OF TRUSTEES' RESPONSIBILITIES

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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, the financial position of the charity at any time – 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, consequently, 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.
- This report, incorporating the strategic report, was approved by the trustees in their capacity as company directors.

By order of the Board of Trustees



Mari Simonen  
Chair  
18 July 2018

# FINANCIAL STATEMENTS





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# INDEPENDENT AUDITOR'S REPORT

to the members and trustees of Voluntary Service Overseas

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## Opinion

We have audited the financial statements of Voluntary Service Overseas for the year ending 31 March 2018, which comprise the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2018, and of the group's incoming resources and application of resources 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 Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (amended).

## Basis for opinion

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

## Conclusions relating to going concern

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

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

## Other information

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

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

We have nothing to report in this regard.

## Opinions 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 trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared, is consistent with the financial statements.
- The strategic report and the directors' report included within the trustees' 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 group, and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the [strategic report or the] directors' report included within the trustees' report.

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

- adequate and proper accounting records have not been kept
- the financial statements are not in agreement with the accounting records and returns
- certain disclosures of trustees' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit.

## Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 63, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



Naziar Hashemi  
Senior Statutory Auditor

For and on behalf of  
Crowe U.K. LLP  
Statutory Auditor  
London

31 July 2018

# CONSOLIDATED STATEMENT

of financial activities for the year ended 31 March 2018

Income and expenditure	Note	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000
<b>Income from:</b>							
<b>Donations and legacies</b>							
	2a						
Strategic grant from DFID		–	–	–	20,300	–	<b>20,300</b>
Institutional grants		2	14,099	<b>14,101</b>	7	13,308	<b>13,315</b>
Other Donations		7,320	5,428	<b>12,748</b>	8,892	6,258	<b>15,150</b>
<b>Charitable activities</b>							
	2b						
DFID Volunteering for Development grant		–	17,000	<b>17,000</b>	–	–	–
ICS Contract with DFID		25,903	–	<b>25,903</b>	24,761	–	<b>24,761</b>
<b>Other trading activities</b>							
	2c						
Community projects, events and volunteer fundraising		3,500	77	<b>3,577</b>	3,592	37	<b>3,629</b>
Income from lettings		156	17	<b>173</b>	183	7	<b>190</b>
<b>Bank interest and investments</b>							
		43	–	<b>43</b>	132	–	<b>132</b>
<b>Gift of VSO Ireland</b>							
	9				953		<b>953</b>
<b>Total income</b>		<b>36,924</b>	<b>36,621</b>	<b>73,545</b>	<b>58,820</b>	<b>19,610</b>	<b>78,430</b>
<b>Expenditure on:</b>							
<b>Raising funds</b>							
		4,592	–	<b>4,592</b>	6,074	–	<b>6,074</b>
<b>Charitable activities</b>							
	3						
Education		5,251	10,458	<b>15,709</b>	13,007	8,857	<b>21,864</b>
Health		2,014	8,227	<b>10,241</b>	6,726	3,805	<b>10,531</b>
Livelihoods		6,113	10,382	<b>16,495</b>	8,219	5,791	<b>14,010</b>
Core approaches		1,203	6,863	<b>8,066</b>	3,298	1,407	<b>4,705</b>
ICS consortium contracts		17,936	–	<b>17,936</b>	18,378	–	<b>18,378</b>
<b>Interest payable and similar costs</b>							
	20	51	–	<b>51</b>	85	–	<b>85</b>
<b>Operating expenditure</b>		<b>37,160</b>	<b>35,930</b>	<b>73,090</b>	<b>55,787</b>	<b>19,860</b>	<b>75,647</b>
Exceptional Item	13	2,657	–	<b>2,657</b>	–	–	–
<b>Total expenditure</b>		<b>39,817</b>	<b>35,930</b>	<b>75,747</b>	<b>55,787</b>	<b>19,860</b>	<b>75,647</b>
<b>Net operating income/(expenditure)</b>		<b>(236)</b>	<b>691</b>	<b>455</b>	<b>3,033</b>	<b>(250)</b>	<b>2,783</b>
<b>Net income/(expenditure)</b>	4	<b>(2,893)</b>	<b>691</b>	<b>(2,202)</b>	<b>3,033</b>	<b>(250)</b>	<b>2,783</b>
Actuarial gain/(losses) on defined benefit pension scheme	20	53	–	<b>53</b>	(126)	–	<b>(126)</b>
<b>Net movement in funds</b>		<b>(2,840)</b>	<b>691</b>	<b>(2,149)</b>	<b>2,907</b>	<b>(250)</b>	<b>2,657</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		18,290	5,996	24,286	15,383	6,246	21,629
<b>Total funds carried forward</b>		<b>15,450</b>	<b>6,687</b>	<b>22,137</b>	<b>18,290</b>	<b>5,996</b>	<b>24,286</b>

All amounts relate to continuing activities. The notes on pages 72 to 91 form part of these financial statements.

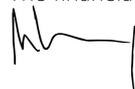
# BALANCE SHEETS

as at 31 March 2018

	Note	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
<b>Fixed assets</b>					
Tangible assets	8	988	1,245	985	1,235
Investments	9	–	–	953	953
<b>Total fixed assets</b>		<b>988</b>	<b>1,245</b>	<b>1,938</b>	<b>2,188</b>
<b>Current assets</b>					
Debtors	10	19,044	10,459	19,531	10,940
Short-term cash deposits		11,725	11,752	11,000	11,000
Cash at bank and in hand:					
In the UK		9,507	12,436	8,652	11,525
ICS working capital advance (UK)		3,740	6,206	3,740	6,206
Overseas		2,485	1,490	2,481	1,484
<b>Total current assets</b>		<b>46,501</b>	<b>42,344</b>	<b>45,404</b>	<b>41,155</b>
<b>Liabilities</b>					
Creditors: amounts falling due within one year	11	(13,099)	(6,983)	(12,988)	(6,809)
<b>Net current assets</b>		<b>33,402</b>	<b>35,360</b>	<b>32,416</b>	<b>34,346</b>
Total assets less current liabilities		34,390	36,605	34,354	36,534
Creditors: amounts falling due after one year	12	(5,647)	(7,839)	(5,647)	(7,839)
Provisions for liabilities	13	(6,606)	(4,480)	(6,606)	(4,480)
<b>Net assets</b>		<b>22,137</b>	<b>24,286</b>	<b>22,101</b>	<b>24,215</b>
<b>Restricted funds:</b>					
Income funds	14,16	6,687	5,996	6,687	5,996
<b>Unrestricted funds:</b>					
Designated funds:					
Pension deficit repayment plan fund	15,16	(3,611)	(4,102)	(3,611)	(4,102)
Change programme fund	15,16	986	1,203	986	1,203
ICS fund	15,16	1,416	1,755	1,416	1,755
Fixed asset fund	15,16	988	1,245	985	1,236
Income generation	15,16	3,000	–	3,000	–
General fund	15,16	12,671	18,189	12,638	18,127
<b>Total unrestricted funds</b>		<b>15,450</b>	<b>18,290</b>	<b>15,414</b>	<b>18,218</b>
<b>Total funds</b>		<b>22,137</b>	<b>24,286</b>	<b>22,101</b>	<b>24,215</b>

The notes on pages 72 to 91 form part of these financial statements.

The financial statements were approved by the Board of Trustees and authorised for issue on 18 July 2018.



Chris Merry, Honorary Treasurer on behalf of the trustees

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities		<b>(3,510)</b>	<b>4,990</b>
<b>Cash flows from investing activities</b>			
Purchase of investments	9	-	958
Purchase of property, plant and equipment	8	(918)	(847)
Net cash provided by / (used in) investing activities		<b>(918)</b>	<b>111</b>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(4,428)</b>	<b>5,101</b>
Cash and cash equivalents at the reporting period		31,885	26,784
<b>Total cash and cash equivalents at the end of the reporting period</b>		<b>27,457</b>	<b>31,885</b>
<b>Reconciliation of net income to net cash flow from operating activities</b>			
Net income for the reporting period (as per the statement of financial activities)		(2,202)	2,783
Depreciation charges	8	1,174	987
(Gain) on investments	9	-	(953)
(Increase) / decrease in debtors	10	(8,585)	174
Increase / (decrease) in creditors falling due within one year	11	6,116	2,875
(Decrease) / increase in creditors falling due after more than one year and provisions	12,13	(66)	(750)
Amounts related to the defined benefit pension scheme included within the statement of financial activities	20	53	(126)
<b>Net cash provided by operating activities</b>		<b>(3,510)</b>	<b>4,990</b>
<b>Analysis of cash and cash equivalents</b>			
Cash at bank and in hand		15,732	20,133
Short-term cash deposits		11,725	11,752
<b>Total cash and cash equivalents</b>		<b>27,457</b>	<b>31,885</b>

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# NOTES FORMING PART OF

## the financial statements for the year ended 31 March 2018

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### 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 group's ability to continue.

#### Group financial statements

The consolidated financial statements incorporate the financial statements of the charity, including overseas branches, 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 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.
- Overseas tax liability – The charity has recognised a liability based on prudent estimations provided by tax advisors (see note 13).

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 40 of the strategic report. 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).

## Accounting policies (note 1 continued)

### 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 first.

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.

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 been 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 within 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

## Accounting policies (note 1 continued)

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:

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#### Assets held in the UK

Leasehold improvements	Length of the lease
Furniture, equipment, fixtures and fittings	5 years
Computer equipment	4 years

#### Assets held overseas

All categories	Fully in the year of acquisition
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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:

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100% shareholding in VSO Trading Limited	Stated at cost
100% ownership of Voluntary Service Overseas (Ireland) Limited	Stated at cost
100% shareholding in Beijing VSO Consulting Company Limited	Stated at expected future value

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

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

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 £40m (2017 £36.4m) and financial liabilities at amortised cost of £15.3m (2017 £11.9m).

### 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 party, 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. Donations and legacies

Institutional grants	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
<b>Governmental bodies</b>				
Australian Department for Foreign Affairs and Trade	–	1,335	1,335	1,448
British Council	–	31	31	262
DFID	–	2,123	2,123	1,281
DFID - Strategic Grant	–	–	–	20,300
European Union	–	1,599	1,599	1,445
Irish Aid	–	353	353	312
National Department of Education Papua New Guinea	–	–	–	1,603
Norwegian Embassy	–	684	684	777
Scottish Government	–	198	198	431
Sweden / Norad	–	113	113	666
Swiss Development	–	1,018	1,018	824
UN Agencies	–	3,212	3,212	1,796
USAid	–	1,397	1,397	602
Other public funding	–	208	208	208
<b>Total governmental bodies</b>	<b>–</b>	<b>12,271</b>	<b>12,271</b>	<b>31,955</b>
<b>Non-governmental bodies</b>				
Big Lottery Fund	–	356	356	542
Comic Relief	–	496	496	780
Cuso International	–	96	96	129
Other charitable organisations	2	880	882	209
<b>Total non-governmental bodies</b>	<b>2</b>	<b>1,828</b>	<b>1,830</b>	<b>1,660</b>
<b>Total Institutional grants</b>	<b>2</b>	<b>14,099</b>	<b>14,101</b>	<b>33,615</b>
<b>Other donations</b>				
Individuals	5,397	22	5,419	5,980
Legacies	614	–	614	1,776
Trusts and foundations	139	720	859	1,361
Companies	448	4,139	4,587	4,782
Gifts in kind and pro bono services	592	1	593	545
Major donors	52	546	598	696
Other	78	–	78	10
	<b>7,320</b>	<b>5,428</b>	<b>12,748</b>	<b>15,150</b>

## Income analysis (note 2 continued)

### b. Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
DFID – Volunteering for Development	–	17,000	17,000	–
DFID – ICS 2 Contract	25,903	–	25,903	24,761
	<b>25,903</b>	<b>17,000</b>	<b>42,903</b>	<b>24,761</b>

### c. Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
Community projects	17	–	17	32
Events	73	77	150	168
Lettings and property	156	17	173	190
Volunteer fundraising	3,410	–	3,410	3,429
	<b>3,656</b>	<b>94</b>	<b>3,750</b>	<b>3,819</b>

### 3. Charitable activities

	Grants and consortium payments £'000	Direct staff costs £'000	Other direct costs £'000	Apportioned support costs £'000	Total costs 2018 £'000	Total costs 2017 £'000
<b>By core programme area</b>						
Education	–	5,675	8,880	1,154	15,709	21,864
Health	–	2,526	7,153	562	10,241	10,531
Livelihoods	–	5,655	9,416	1,424	16,495	14,010
Core approaches*	–	2,746	3,778	1,542	8,066	4,705
<b>ICS consortium contracts</b>						
Balloon Kenya	2,056	-	-	-	2,056	1,427
Challenges Worldwide	1,617	-	-	-	1,617	1,340
Latitude Global Volunteering	-	-	-	-	-	10
Pravah	56	-	-	-	56	330
Progressio	-	-	-	-	-	2,097
Raleigh International	5,525	-	-	-	5,525	5,144
Restless Development	3,025	-	-	-	3,025	3,236
Skillshare International	-	-	-	-	-	-
Tearfund	1,349	-	-	-	1,349	1,304
United Nations Association International Service	2,472	-	-	-	2,472	2,108
Y Care International	1,836	-	-	-	1,836	1,382
<b>Total</b>	<b>17,936</b>	<b>16,602</b>	<b>29,227</b>	<b>4,682</b>	<b>68,447</b>	<b>69,488</b>

\*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.

Charitable activities (excluding apportioned support costs) include pro bono services valued at £144,000 (2017: £98,000).

## Charitable activities (note 3 continued)

### Breakdown of apportioned costs

	Governance and CEO costs £'000	Facilities and purchasing £'000	Human resources £'000	Corporate performance £'000	Finance and IT £'000	Total 2018 £'000	Total 2017 £'000
Education	164	221	170	179	420	1,154	2,774
Health	80	105	84	88	205	562	1,301
Livelihoods	202	267	212	223	520	1,424	1,536
Core approaches	218	284	231	244	565	1,542	735
<b>Apportioned support costs – charitable activities</b>	664	877	697	734	1,710	4,682	6,346
Raising funds	47	60	50	53	122	332	595
<b>Total apportioned support costs</b>	711	937	747	787	1,832	5,014	6,941

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.

Organisational redesign of Human Resource, IT and Finance & Corporate Service functions throughout the year aimed to deliver effective support services

whilst reducing overhead costs to the organisations have driven down the apportioned support costs to £4.7m (2017: £6.3m). Apportioned support costs also include pro bono services valued at £415,627 (2017: £423,000).

Governance and CEO costs include costs directly related to the chief executive role, including remuneration, travel and executive assistance, of £214,007 (2017: £209,000).

## 4. Net incoming resources

Net movement in funds is stated after the following charges:

	2018 £'000	2017 £'000
<b>Auditors' remuneration (exclusive of VAT)</b>		
Fees payable for the audit of the charity's annual accounts	32	32
Fees payable for the audit of the charity's subsidiaries	4	14
Fees payable for audit of USAID	17	10
Other services	14	20
<b>Total fees payable to charity's auditors</b>	<b>67</b>	<b>76</b>
<b>Depreciation</b>		
UK assets	349	430
Overseas assets	825	558
(Gain)/ loss on exchange rate movements (realised and unrealised)	449	(462)

The loss on exchange rate movements in the year to 31 March 2018 includes losses of £449,000 (2017: gains of £654,000) 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 (2017: £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 £15,855 (2017: £12,500), paid to ten trustees (2017: eleven).

## 6. Employee emoluments including the cost of key management personnel

	2018 £'000	2017 £'000
Salaries and wages*	17,869	18,642
Social security costs	971	1,406
Pension costs	674	848
Other employee benefits	1,489	1,394
Temporary staff	488	386
	<b>21,491</b>	<b>22,676</b>

\* Excluding overseas tax provision for 2018, see Note 13

The 2018 wages and salaries figure includes an amount of £328,156 (2017: £205,000) relating to severance pay. This primarily relates to organisational change to deliver the People First strategy continuing from work initiated in FY16/17.

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

	2018 £'000	2017 £'000
£60,001-70,000	5	10
£70,001-80,000	6	6
£80,001-90,000	5	4
£90,001-100,000	4	5
£100,001-110,000	2	-
£110,001-120,000	2	2
£120,001-130,000	-	3
£130,001-140,000	1	-
£140,001-150,001	-	-
£150,001-160,000	1	-

Total emoluments disclosed in the above bands include termination costs of £37,000 (2017: £43,000), and health benefits, housing, dependants education and income tax costs of £553,000 (2017: £581,000).

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 Officer. 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 for details).

The executive team is made up of five members. The total compensation payable, including employers National Insurance contributions, pension and terminations costs was £634,300 (2017: £595,000).

## 7. Employee numbers

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

### UK Overseas

2018 Headcount	2018 FTE	2017 Headcount	2017 FTE
234	225	244	242
505	505	566	557
<b>739</b>	<b>730</b>	<b>810</b>	<b>799</b>

## 8. Tangible fixed asset – group and charity

	Leasehold improvements £'000	Furniture, equipment, fixtures & fittings £'000	Computer equipment £'000	Assets held overseas £'000	Total £'000
<b>Cost</b>					
At 1 April 2017	1,335	186	1,283	1,750	4,554
Additions	4	1	88	825	918
Acquisition of a subsidiary	–	–	–	–	–
Disposals	–	–	–	(351)	(351)
<b>At 31 March 2018</b>	<b>1,339</b>	<b>187</b>	<b>1,371</b>	<b>2,224</b>	<b>5,121</b>
<b>Accumulated depreciation</b>					
At 1 April 2017	512	158	889	1,750	3,309
Charge for the year	143	18	189	825	1,175
Acquisition of a subsidiary	–	–	–	–	–
Disposals	–	–	–	(351)	(351)
<b>At 31 March 2018</b>	<b>654</b>	<b>176</b>	<b>1,078</b>	<b>2,224</b>	<b>4,133</b>
<b>Net book value</b>					
At 31 March 2017	823	28	394	–	1,245
<b>At 31 March 2018</b>	<b>685</b>	<b>11</b>	<b>293</b>	<b>–</b>	<b>988</b>
<b>Held by parent charity</b>	<b>682</b>	<b>11</b>	<b>293</b>	<b>–</b>	<b>985</b>
<b>Held by subsidiaries</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3</b>

## 9. Investments

Investments	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
<b>Group and Charity</b>				
Market value at the beginning of the year	–	–	953	–
Acquisition	–	–	–	953
Impairment	–	–	–	–
<b>Market value at 31 March</b>	<b>–</b>	<b>–</b>	<b>953</b>	<b>953</b>

Investments held by the charity at 31 March 2018 comprise £2 held in VSO Trading Limited, £953,000 held in Voluntary Service Overseas (Ireland) Limited, and £nil held in Beijing VSO Consulting Company Limited. VSO Trading Limited and Voluntary Service Overseas (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 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Trade debtors	7,589	2,202	7,589	2,189
Amounts due from VSO Trading Limited	–	–	529	511
Amounts due from ICS consortium partners (working capital advances)	4,461	1,994	4,461	1,994
Other debtors	1,678	1,458	1,673	1,452
Accrued income	4,595	4,119	4,592	4,116
Prepayments	721	686	687	678
	<b>19,044</b>	<b>10,459</b>	<b>19,531</b>	<b>10,940</b>

All amounts above are due within one year.

Legacies of which we have been notified, but not recognised as income, are valued at Enil (2017: Enil).

## 11. Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Trade creditors	5,219	2,123	5,212	2,120
Amounts due to VSO Ireland	–	–	1	28
Working capital advance from DFID for ICS	2,700	500	2,700	500
Other creditors	1,029	287	1,030	259
Pension contributions payable	81	53	80	52
Taxation and social security	653	622	641	617
Accruals and deferred income	3,107	2,948	3,014	2,783
Accrual for compensated employee leave	310	450	310	450
	<b>13,099</b>	<b>6,983</b>	<b>12,988</b>	<b>6,809</b>

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

Movement on deferred income during the year	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Balance brought forward	526	–	405	–
Received in year	746	526	807	405
<b>Balance carried forward</b>	<b>1,272</b>	<b>526</b>	<b>1,212</b>	<b>405</b>

## 12. Creditors: amounts falling due after one year – group and charity

	2018 £'000	2017 £'000
Working capital advance from DFID for ICS	5,500	7,700
Accruals	147	139
<b>Balance carried forward</b>	<b>5,647</b>	<b>7,839</b>

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

	Overseas tax £'000	Volunteer flights £'000	Dilapidations £'000	Pension deficit £'000	Total £'000
At 01 April 2017	-	92	286	4,102	4,480
Arising in the year	2,657	-	-	(2)	2,655
Utilised/ released in the year	-	(40)	-	(489)	(529)
<b>At 31 March 2018</b>	<b>2,657</b>	<b>52</b>	<b>286</b>	<b>3,611</b>	<b>6,606</b>

### Overseas Tax

A liability across VSO's global portfolio has been identified in relation to overseas taxes. This has been prudently provided for and is being actively managed with relevant authorities and expert services.

### Volunteer flights

Provision is made in the financial statements for the cost to the charity of return airfares for 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 to a recovery plan to eliminate it over a specified period of time. This year VSO has paid £489,000 as contribution to the Plan's deficit. 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 detail.)

## 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	535	478	527	486
AYSRRH for RHAISA	Zimbabwe	–	285	8	277
AYSRRH in Zimbabwe	Zimbabwe	–	281	195	86
Cash 2 project	Tanzania	–	170	170	–
Cocoa Life Cohort 4	Ghana	–	375	375	–
DFID - Volunteering for Development	Global	–	17,000	16,682	318
Emerging Area in Rwanda	Rwanda	27	210	237	–
Enhance Employability Through Vocational Training in Mtwara	Tanzania	141	393	533	1
Inclusive Development Strengthening CSO network	Cambodia	140	339	242	237
Sustainable and Inclusive Fisheries and Livelihoods on the Great Lake	Cambodia	399	200	358	241
EYEE in Kenya & Uganda	Global	–	177	56	121
Gender empowerment & development to enhance rights	RAISA	–	886	834	52
Inclusive Education in Cambodia	Cambodia	35	231	257	9
Inclusive Education Nepal	Nepal	–	710	710	–
Building Learning Foundation in Rwanda	Rwanda	–	1,000	973	27
Early Childhood Education – Strengthening School readiness in Rwanda	Rwanda	–	466	466	–
Inclusive Education in Rwanda	Rwanda	–	411	399	12
Inclusive Education in South Africa	South Africa	–	258	217	41
A-Plus (All Pupils Learning for Ultimate Success in life)	Uganda	35	256	291	–
Education Initiative (GREAT – Girls Retained Enrolled Achieve and Thrive)	Uganda	–	275	174	101
Knowledge Exchange	Global	22	233	197	58
Making Markets Work for the Poor II	Global	278	437	555	160
MNH in PNG	PNG	17	137	154	–
MNH in Sierra Leone	Sierra Leone	–	1,460	1,441	19
One Community, One Family	Nepal	–	179	179	–
Progressio for Social Accountability	Global	–	270	–	270
Reducing Neonatal Mortality in Uganda	Uganda	243	387	630	–
SIG in Pakistan	Pakistan	18	160	178	–
SRHR & HIV and AIDS in Prisons	South Africa	692	1,014	755	951
Tackling Education Needs Inclusively II	Ghana	327	77	404	–
TALK Adolescents: Training and Local Knowledge	Zambia	34	164	194	4
Tanzania Local Enterprise Development (Canada)	Tanzania	137	1,416	1,111	442
Tanzania Local Enterprise Development (T-LED)	Global	153	358	291	220
Unlocking Talent through Technology - ScotGov	Malawi	44	230	272	2
Creating Child friendly Schools for Malawi	Malawi	–	739	659	80
Improving learning outcomes of Primary School Children in Malawi	Malawi	151	684	835	–
Unlocking Talent Through Technology	Malawi	180	139	243	76
Youth and Civil Engagement in Myanmar	Myanmar	88	113	165	36
SAP Social sabbatical programme	Uganda	–	199	177	22
Skills and Capacity for organisational productivity and employment	Uganda	285	528	498	315
Other specific programme funds*	Global	2,015	3,296	3,288	2,023
		<b>5,996</b>	<b>36,621</b>	<b>35,930</b>	<b>6,687</b>

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

## Restricted funds – group and charity (note 14 continued)

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.

### Contracted funds – group and charity

Movement on contracts	Opening balance £'000	Contract income £'000	Resources expended £'000	Closing balance £'000
International Citizen Service (ICS)	1,755	25,903	26,242	1,416

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 £24.8m and £25.7m 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	Income generation £'000	Total £'000
At 01 April 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)	–	–
<b>At 31 March 2017</b>	<b>18,189</b>	<b>(4,102)</b>	<b>1,203</b>	<b>1,755</b>	<b>1,245</b>	<b>–</b>	<b>18,290</b>
Surplus / (deficit) for the year	(2,775)	491	(217)	(339)	–	–	(2,840)
Transfers between funds	(2,743)	–	–	–	(257)	3,000	–
<b>At 31 March 2018</b>	<b>12,671</b>	<b>(3,611)</b>	<b>986</b>	<b>1,416</b>	<b>988</b>	<b>3,000</b>	<b>15,450</b>

### 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 to achieve VSO's strategic plan and that resources are efficiently deployed at programme delivery level in country. The balance is carried forward to fund the ongoing programme of transformational change.

#### ICS fund

The ICS fund consists of residual surplus on the ICS 1 contract, of which £755,000 was retained for use on contract end costs (for example, redundancies), and £1m for use on other ICS

initiatives, of which £339,000 has been utilised on ICS2 contract.

The ICS2 contract is forecast to achieve a deficit of £450,000 overall, therefore 75% of forecasted loss has been recognised on the contract to date.

#### 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.

#### Income generation fund

In March 2018, the trustees decided to designate a £3m fund to be invested in income generating activities over the next three years to support unrestricted income growth and the income portfolio diversification.

## 16. Analysis of net assets between funds

	General fund £'000	Pension deficit repayment plan £'000	Change programme £'000	ICS £'000	Fixed assets £'000	Income generation £'000	Restricted funds £'000	Total £'000
<b>Fund balances at 31 March 2017 were represented by:</b>								
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)
<b>Total net assets</b>	<b>18,189</b>	<b>(4,102)</b>	<b>1,203</b>	<b>1,755</b>	<b>1,245</b>	<b>–</b>	<b>5,996</b>	<b>24,286</b>

<b>Fund balances at 31 March 2018 are represented by:</b>								
Tangible fixed assets	–	–	–	–	988	–	–	988
Current assets	26,213	–	986	9,617	–	3,000	6,687	46,503
Current liabilities	(10,400)	–	–	(2,701)	–	–	–	(13,101)
Long-term liabilities and provisions	(3,142)	(3,611)	–	(5,500)	–	–	–	(12,253)
<b>Total net assets</b>	<b>12,671</b>	<b>(3,611)</b>	<b>986</b>	<b>1,416</b>	<b>988</b>	<b>3,000</b>	<b>6,687</b>	<b>22,137</b>

## 17. Operating leases

As at 31 March 2018 the charity was committed to making non-cancellable operating lease payments over various periods, as set out in the table below.

	2018 £'000	2017 £'000
<b>In the UK</b>		
Within one year	377	391
Within two to five years	1,148	1,494
In more than five years	–	31
<b>Overseas</b>		
Within one year	264	364
Within two to five years	283	910
In more than five years	–	93
	<b>2,072</b>	<b>3,283</b>
<b>Lease expense</b>	<b>2,187</b>	<b>2,665</b>

## Operating leases (note 17 continued)

As at 31 March 2018 the charity was entitled to receive non-cancellable operating lease receipts during the various periods, as set out in the table below.

	2018 £'000	2017 £'000
<b>In the UK</b>		
Within one year	71	71
Within two to five years	283	283
In more than five years	9	80
	<b>363</b>	<b>434</b>

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 four subsidiary undertakings.

### VSO Trading Limited

A company limited by share capital incorporated in England and Wales (company number 02315724, 100 London Road, Kingston Upon Thames, KT2 6QJ). VSO Trading Limited is wholly owned by VSO. As at 31 March 2018 the investment of VSO in VSO Trading Limited was £2 (2017: £2).

The principal activity of the subsidiary is the delivery of non-charitable activities for the purpose of raising funds for VSO. The net taxable profit of the subsidiary is transferred by Gift Aid to VSO.

### Beijing VSO Consulting Company Limited

A company limited by share capital incorporated in People's Republic of China in June 2012 (company number 110000450208624 and registered address Chao Wai Avenue, Building 1, 5th Floor, Room 62, Chaoyang District, Beijing).

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 is expected to be completed in financial year 2018/19.

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

recorded as impaired in prior years and based on its future expected value was written down to US\$ nil in financial year 15/16.

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

### Voluntary Service Overseas (Ireland) Limited

A charitable company limited by guarantee incorporated in Republic of Ireland; charity number CHY 15048, company number 351799, address: 7 Whitefriars, Peter's Row Aungier Street, Dublin, DO2 EF67, Republic of Ireland. The company is a wholly owned subsidiary and was acquired on 31 January 2017.

The principal activity of the subsidiary is to implement programmes that deliver sustainable change in three core areas: Education, Health and Secure livelihoods.

### British Executive Service Overseas Limited (BESO)

Company limited by guarantee; company number 01056119, address: 100 London Road, Kingston Upon Thames, KT2 6QJ

Since acquisition on 31 March 2005, the company has not carried out any activities. It generated neither a profit nor a loss nor had any other recognised gain or loss. It holds no reserves, assets or liabilities.

## Subsidiary companies (note 18 continued)

### Subsidiary results and closing funds position

	VSO Trading 2018 £'000	Beijing VSO 2018 £'000	VSO Ireland 2018 £'000	VSO Trading 2017 £'000	Beijing VSO 2017 £'000	VSO Ireland 2017 £'000
Total income	575	–	932	521	–	118
Total expenditure	571	–	993	494	–	67
<b>Net income / (expenditure)</b>	<b>4</b>	<b>–</b>	<b>(61)</b>	<b>27</b>	<b>–</b>	<b>51</b>
Gift aid payment to VSO	3	–	–	27	–	–
<b>Retained profit / (loss) for the year</b>	<b>1</b>	<b>–</b>	<b>(61)</b>	<b>–</b>	<b>–</b>	<b>51</b>
Total assets	596	8	1,028	636	8	1,088
Total liabilities	596	8	47	636	8	73
<b>Total funds</b>	<b>–</b>	<b>–</b>	<b>981</b>	<b>–</b>	<b>–</b>	<b>1,015</b>

## 19. Related party transactions

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

	2018 £'000	2017 £'000
<b>Grants made to subsidiary undertakings</b>		
Voluntary Service Overseas (Ireland) Limited - total for 2017/18	–	115
Voluntary Service Overseas (Ireland) Limited - post acquisition	–	29
<b>Donations received under Gift Aid from subsidiary undertakings</b>		
Profit donated by VSO Trading Limited	3	27
<b>Payments received from subsidiary undertakings for management services</b>		
VSO Trading Limited	1	24

## 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 following table shows the cost of pension contributions in 2018 and 2017.

## Pension costs (note 20 continued)

	2018 £'000	2017 £'000
Scottish Widows	178	215
The Pensions Trust	60	78
The Pensions Trust - deficit reduction liability: unwinding of discounting	51	85
The Pensions Trust - deficit reduction liability: revaluation	(53)	126
Other - country specific schemes, non-UK	438	344
	<b>674</b>	<b>848</b>

### 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 2018, VSO employed 18 (2017: 23) 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.

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 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.

A full actuarial valuation for the Plan was carried out at 30 September 2017. This valuation showed assets of £795 million, liabilities of £926 million and a deficit of £132 million. To eliminate this funding shortfall, the Trustee asked the participating employers to continue paying contributions to the scheme over a six year period from 1 April 2019 to 31 January 2025.

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

	£'000
2013/14	371
2014/15	382
2015/16	394
2016/17	402
2017/18	489

## Pension costs (note 20 continued)

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 scheme 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 2018 £'000	31 March 2017 £'000	31 March 2016 £'000
Present value of provision	3,611	4,102	4,293

### Reconciliation of opening and closing provisions

	2018 £'000	2017 £'000
Provision at start of period	4,102	4,293
Unwinding of the discount factor (interest expense)	51	85
Deficit contribution paid	(489)	(402)
Remeasurements – impact of any change in assumptions	(53)	126
<b>Provision at end of period</b>	<b>3,611</b>	<b>4,102</b>

### Income and expenditure impact

	2018 £'000	2017 £'000
Unwinding of the discount factor (interest expense)	51	85
Remeasurements – impact of any change in assumptions	(53)	126
<b>Costs recognised in the SOFA</b>	<b>(2)</b>	<b>211</b>

### Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.71	1.32	2.07

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.

## 21. Comparative Fund Note – movement on restricted funds as at 31st March 2017 – Group and Charity

Project name	Country	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Closing balance £'000
ABVC in Uganda	Uganda	–	578	43	536
Accelerated care and treatment for mothers and neonates	Tanzania	49	129	161	18
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	176	–
Cocoa Life Cohort 4	Ghana	(1)	475	474	–
Effect - Education	Myanmar	3	195	109	89
Enhancing employability through vocational training	Tanzania	287	159	306	141
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	10
Inclusive Education in Rwanda	Rwanda	–	211	211	–
IYO4ALL	Global	(46)	169	65	58
Knowledge Exchange	Global	80	232	290	22
Land Access Network for Development and Justice	Zambia	70	101	172	–
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	157	–
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	34
T-LED Extractive Industries	Tanzania	257	–	238	19
Tanzania Local Enterprise Development (Canada)	Tanzania	84	941	887	137
Tanzania Local Enterprise Development (T-LED)	Global	–	289	137	153
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	44
Youth development programme	Uganda	–	274	(11)	285
Other specific programme funds*		1,960	3,668	4,067	1,561
		<b>6,246</b>	<b>19,610</b>	<b>19,680</b>	<b>5,996</b>

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

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# THANK YOU

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**Our work wouldn't be possible without the dedication and support of thousands of people, partners and organisations.**

From the volunteers who share their time and skills in our programmes around the world, to the partners who work with us on programme development, delivery, research and fundraising. From the staff and supporters who work tirelessly on our behalf, to the people and organisations who donate the vital funds needed to support our work – and all those who generously choose to leave a gift in their Will.

Together, we're working towards a world without poverty. Together, we will leave no one behind.

Thank you.

Here are just some of the individuals and organisations who made a vital contribution to our work in 2017/18.

Accenture	Global Affairs Canada	Scottish Government
AmplifyChange	Greg Dyke and Sue Howes	Stichting Weeshuis der
Big Lottery Fund	IBM International Foundation	Doopsgezinden
British Gas Tanzania	Irish Aid	Swedish International
Citi Foundation	Jersey Overseas Aid	Development Agency
Citibank	Kahane Foundation	Swiss Development Cooperation
Comic Relief	Mars	Syngenta
Department for Foreign Affairs	MasterCard Foundation	The Foreign Service of the Faroes
Trade and Development	Medicor Foundation	Islands
Department for International	Mondelez	The Grocers' Foundation
Development	Norwegian Agency for	The Pestalozzi Children's Fund
Dr and Mrs Alan Hearne	Development Cooperation	The Schroder Foundation
Dubai Cares	Oil Search Foundation	UNICEF
ElectricAid	Randstad Global Partnership	USAID
European Commission	Royal Norwegian Embassy	
GIZ	SAP	



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