



Voluntary Service Overseas

# Annual Report and Financial Statements

for the year ending 31 March 2014







**Safargul** is a local business woman in Kulob, Tajikistan. She is one of many who have received training from our partner organisation, the National Association of Business Women Tajikistan.



**Yonas** is a student at Urael school in Addis Ababa, Ethiopia. Teachers at this school have benefited from VSO's training in interactive teaching techniques.



**Fatuma** volunteered in Kenya with the VSO ICS programme. During her placement she mentored younger girls; running workshops on reproductive health and financial literacy.



**Peter** is a VSO national volunteer, who took part in our Tackling Education Needs Inclusively project in Ghana.



**Mark** (right) is the Head of Operations at PAD (Premier Agricultural Development), a VSO partner organisation in Nigeria who train local farmers. Mark is pictured here with VSO volunteer Sanne.



**Priya** is a Global Policy and Advocacy Advisor for VSO. She supports VSO's advocacy on the Post-2015 development agenda – the framework that will replace the Millennium Development Goals.



**Bharatkumari** is a nurse and midwife in Nepal. She worked alongside VSO volunteer Cath who introduced simple low cost resources to share vital public health information for women.



**Briony** is a paediatric nurse trainer on a VSO placement at the Mission Hospital, Nkhoma in Malawi.

**Together we are  
one global VSO**





Six week old Shaida Fadematu with her mother and aunt. Shaida has been treated at the Bamedna Regional Hospital in Cameroon where VSO volunteer paediatrician Tamara Bugembe has been sharing her skills.

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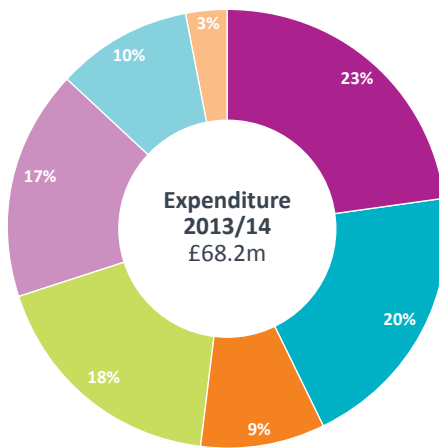
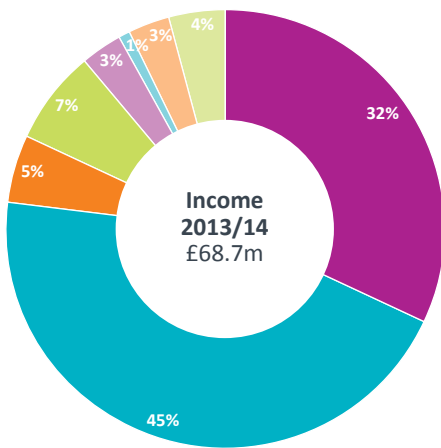
**Photo credits:** Peter Caton, JonPaul Hedge, Theodore Kaye, Graham Lacadao, Ben Langdon, Jenny Matthews, Tim Maynard, Cath Nixon, Lydia Opiyo, Gomer Padong, Simon Rawles, Georgie Scott, John Spaul, Matthew Thompson (with thanks to Tearfund for two ICS photos).

In our efforts to maintain and improve our accountability to stakeholders, we are continuously working to improve our data quality relating to the depth and breadth of our work. We have ensured standardised definitions and methodologies are used across all countries, partners and areas, we have improved processes around eliminating data that cannot be verified, and removed any double counting. This is an ongoing process and we will work to keep improving data integrity when reporting our work.



# Voluntary Service Overseas (VSO) at a glance

VSO's mission is to bring people together to fight poverty. We believe it is only when people step forward – either as local, national or global citizens – that sustainable change happens. By enabling people and, in turn, their communities to play a more active role in development, volunteering provides the means through which the essential preconditions for sustainable change – ownership, participation, empowerment and inclusion – can be realised. We promote volunteering as a powerful and practical way to tackle poverty and inequality.



- Strategic grant from DFID
- Other governmental income
- Other charitable organisations
- Individuals
- Companies
- Trusts and foundations
- Other grants and donations
- Events and community

- Education
- Health, HIV and AIDS
- Participation and governance
- Secure livelihoods
- Grants to ICS consortium partners
- Costs of generating funds
- Governance costs



“VSO is working hard on the ground to help local people change their communities for the better. I felt privileged to have a short insight into that work.”

Rt Hon Alistair Carmichael MP worked with ALL for Cameroon, a legal aid organisation providing legal assistance to marginalised people, including child prisoners and victims of torture.

 **660**

In 2013/14 we supported **over 660 partners**, working at every level of society, from government organisations at a national level to health and education facilities at a local level.

 **174,000**

Through our partners we made a difference in the lives of **over two million** people and trained **over 174,000** people



We work in four thematic areas: **education; health, HIV and AIDS; secure livelihoods; and participation and governance**; with three cross-cutting themes: **disability, gender and climate change**.



We work through a range of interventions including **international volunteers, national volunteers, youth volunteers, parliamentary volunteers and advocacy**.

“Some organisations come, give assistance and don't leave anything. VSO leaves us knowledge and that is its strength.”

Usha Shanmuganathan, Social, Economic and Environmental Developers (VSO partner organisation in Sri Lanka)

## Where we work

During 2013/14 we had programmes in the following countries: **Bangladesh, Burkina Faso, Cambodia, Cameroon, China, Ethiopia, The Gambia, Ghana, India, Indonesia, Kenya, Laos, Lesotho, Malawi, Mongolia, Mozambique, Myanmar, Nepal, Nigeria, Pakistan, the Philippines, Papua New Guinea, Rwanda, Sierra Leone, South Africa, South Sudan, Sri Lanka, Swaziland, Tajikistan, Tanzania, Thailand, Uganda, Vanuatu, Zambia and Zimbabwe.**

Our international volunteers can be of any nationality, and applications are managed by recruitment partners in a number of international locations, including **China, India, Indonesia, Ireland, Kenya, the Netherlands, the Philippines, southern Africa and the UK.**



Our Women in Power campaign gained momentum and we worked with **UK** members of parliament (MPs) to influence future legislation. For more information, see page 32.



Through our partners in **Nepal**, we supported 8,750 girls with a quality primary education in 2013/14. Turn to page 21 to read Prinsi's story.



In **Tanzania**, we supported projects contributing to quality health services for 42,100 children under 5; find out more about one of these projects on page 23.



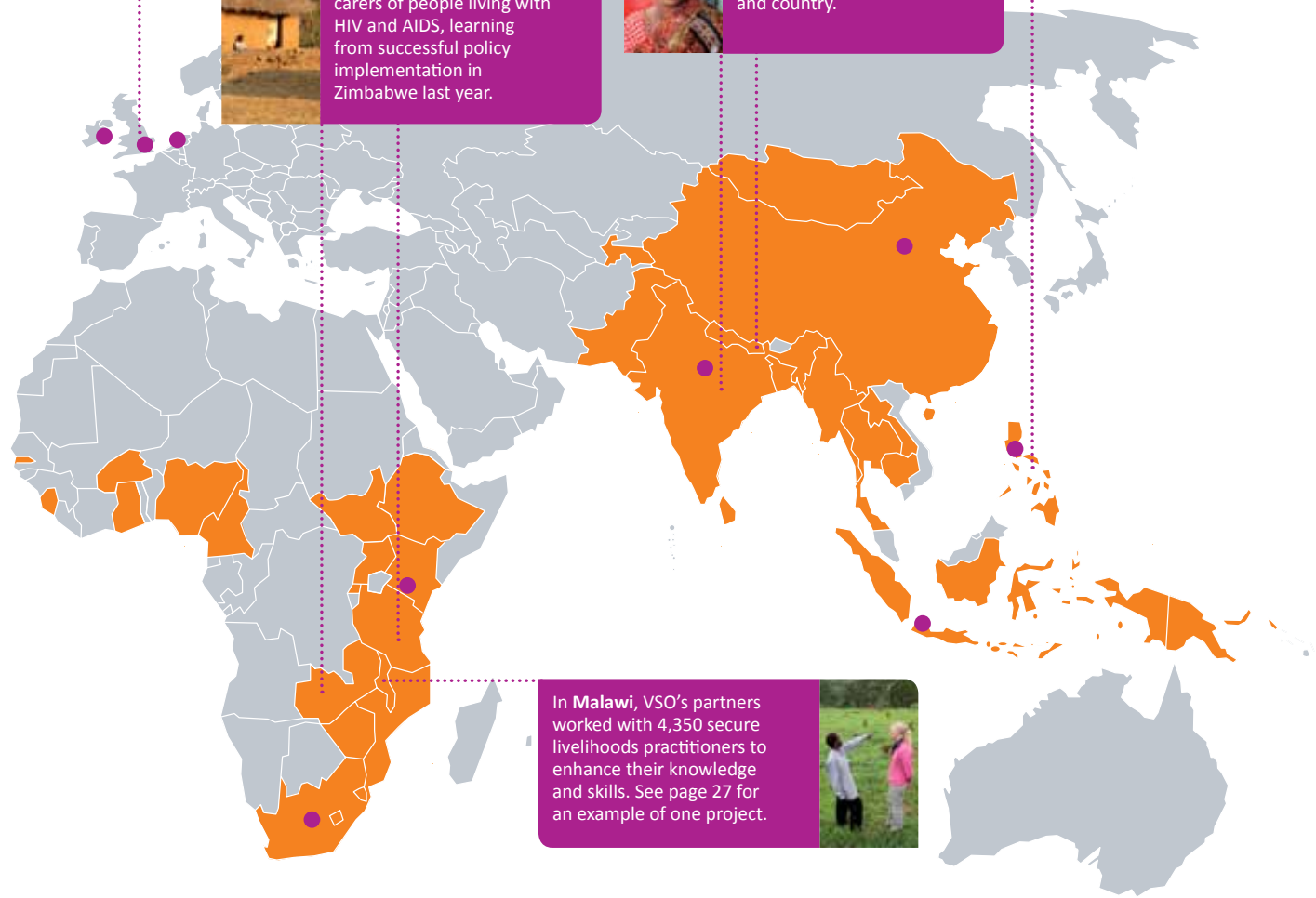
**International Citizen Service (ICS)** volunteers in Bohol, the **Philippines**, worked to increase awareness of environmental issues affecting the Carood Watershed by conducting peer education in schools and youth clubs. For more information, see page 28.



In **Zambia** we continued to support policy development to advocate for home-based carers of people living with HIV and AIDS, learning from successful policy implementation in Zimbabwe last year.



In **India** our national volunteers provided 45,600 volunteering days in their communities and country.



In **Malawi**, VSO's partners worked with 4,350 secure livelihoods practitioners to enhance their knowledge and skills. See page 27 for an example of one project.



# A message from the Chair and Chief Executive

**VSO is a world-leading independent development organisation that works through volunteers, fighting poverty and inequality to bring about sustainable change. We believe that change happens when people step forward and volunteer – as local, national or global citizens – which is why VSO’s unique approach remains as vital today as ever.**

During 2013/14, we reviewed our strategy, *People First*, which was adopted in 2010. This review reaffirmed our commitment to our strategy and the approach VSO takes in bringing people together to fight poverty.

## Celebrating achievement

In this last year, with the support of our volunteers, partners and donors, we made a difference to over two million people in 35 countries. Through our health, HIV and AIDS and education partners we trained over 39,980 doctors, nurses, midwives and other health professionals and 93,800 teachers and educators so that some of the world’s poorest people can have access to quality medical and education services.

Successes of the year include the start of our new Sisters for Sisters Education programme in Nepal, through which older girls will mentor marginalised younger girls who are at risk of missing out on schooling altogether. This is an example of how we are using both international and national volunteers together in the same programme. We are also excited to be leading a new initiative of the International Citizen Service: ICS Entrepreneur. In this project, young people from the UK will work alongside national youth volunteers to support small enterprises (see page 18).

We are proud that a VSO project, which set up neonatal intensive care units in three Ethiopian hospitals, was voted one of the best five non-governmental organisation (NGO) projects in the country. Ethiopia’s neonatal mortality rate is ten times higher than the UK’s, showing the importance of this work. At one of the hospitals we worked with, the neonatal mortality rate has been reduced by two-thirds since the project started. We are currently in discussion with funders to replicate this work in the Horn and east Africa region and potentially across Africa as a whole.

## A range of volunteer approaches

VSO works through a range of volunteer interventions, responding to the needs and demands of the countries in which we work. As well as our international volunteering programme, there is a growing emphasis on recruiting, and working with, volunteers within developing countries. We have acknowledged that community health volunteers are increasingly seen as an essential link in the health service provision chain in many countries. As an organisation that works through volunteering, we are committed to working with our partners to ensure they can maximise the use of community health volunteers in their work. A prime example of this is our Regional AIDS Initiative in southern Africa, which is primarily delivered through community volunteers working across the region.



**Poverty is the denial of fundamental freedoms – to receive an education, to access healthcare, to earn a living and to influence decision-making. It is about more than people’s material conditions: it is about their ability to make choices, to create and respond to opportunities and to have greater control over the world in which they live. The consequences of poverty are that human rights are not realised and human potential goes unfulfilled.**

**Despite the progress that has been made in tackling poverty, many people continue to be left out or left behind. We know, for example, that 57 million children of primary age are not in school, 2.5 million new HIV infections occur every year, millions lack access to affordable treatment, and one in eight people worldwide remain chronically undernourished.**

**VSO works to tackle these issues in the countries where we work. We believe volunteering is a powerful and practical way to make a difference.**



“Last year, with the support of our volunteers, partners and donors, VSO made a difference to over two million people in 35 countries.”

### Adapting to global change

As well as increasing our range of volunteering opportunities, we regularly review where we work in order to use our resources where we can make the biggest impact. We are committed to spending at least two-thirds of our income in the poorest countries of the world. This year, we opened an office in Myanmar, following political reforms that ended decades of isolation. We also carried through the difficult decisions to close our offices in Burkina Faso, Cameroon, Indonesia, Laos, Mongolia and Sri Lanka. We are very proud of the legacy of our work in these countries and the impact it has had on the lives of so many people. Finishing our work in these countries allows us to focus our resources in countries where we believe we can now have greater impact. VSO will continue to manage our country programmes based on need, the relevance of our approach to a particular situation, and the sustainability of our work in a particular country.

In order to respond to change we also have to adapt to the unpredictable. In the Philippines, we helped to mobilise volunteers to bring shelter, food and water to more than 11,000 people following the typhoon in November 2013. Change can also mean we have to make difficult decisions. In December 2013 we withdrew employees and volunteers from South Sudan because the conflict there made it unsafe for us to conduct our work.

While our vision and strategy remain clear, we will always make important decisions in order to help us achieve our goals.

### Accountability

We are delighted to have secured approval of a further two years of funding from the Department for International Development (DFID), following our three-year strategic grant which ended in 2013/14. This funding is vital; it allows VSO to continue to concentrate on the quality of our programmes and evidencing the value of our work, to maintain accountability to our beneficiaries.

We are moving to a broader base of funding to ensure a more sustainable future for VSO, and are pleased to have secured an 87% increase in donations from trusts and foundations, as well as over 14,400 new regular individual givers.

With the help of our supporters, VSO will continue to evolve and adapt to maximise our impact in the fight against poverty.

### Thank you



*Mari Simonen*

Mari Simonen  
VSO Chair



*Marg Mayne*

Marg Mayne  
Chief Executive



### A special message from the Chief Executive

This will be my last introduction to the Annual Report as I am leaving VSO in July 2014. I want to take this opportunity to thank our Chair, Mari Simonen, for her inspiring leadership of the International Board and her support to me as chief executive during my five years at VSO. With the support of the International Board and the dedication of all our employees, volunteers and partners, VSO continues to go from strength to strength. I am very proud of our achievements during these five years and delighted that I will leave VSO stronger, more focused and more effective in the fight against poverty.

# A review of our finances

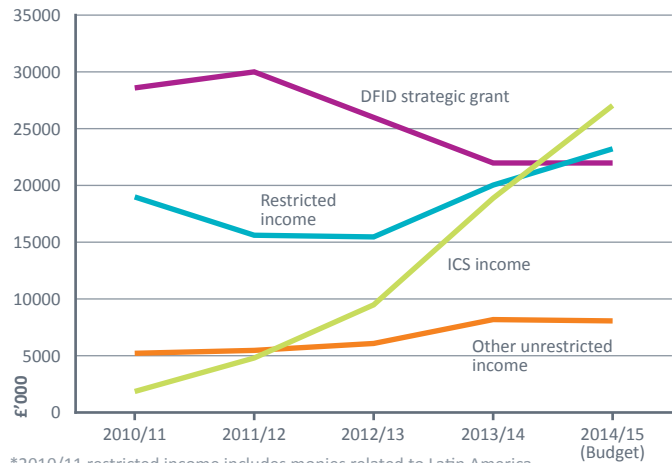
**We have now reached the end of our three-year DFID strategic grant and we are in the final stages of implementing two key change programmes: Quality and Performance, and Global Income Growth. Together with the DFID grant, these initiatives have enabled us to transform VSO by diversifying our funding, strengthening the capacity of our country offices, and achieving significant efficiency savings at both the operational and global level.**

Over the last three years our Quality and Performance programme has been at the heart of our work to transform VSO into a high-performing organisation, improving our ability to articulate value for money, in order to maximise our development impact. Introducing new technology for recruiting volunteers has streamlined our processes, leading to significant efficiencies across all parts of the volunteer journey. The new application process allows us to advertise individual volunteer positions, enabling us to meet the increasingly specific requirements of our programmes.

We have become a truly global organisation: sharing knowledge, standardising our processes and giving volunteers and employees access to the same information and services irrespective of where they are based. Our UK office move to Kingston upon Thames has saved £400,000 per year and contributed to a 30% reduction in overall support costs as a proportion of our total income. Savings released through the Quality and Performance programme allow more money to be directed towards our development work.

The Global Income Growth programme has entered its final year as a stand-alone project. This programme has achieved our aim of implementing a strong global strategy for future income growth. We have put in place the resources and infrastructure to embed fundraising across VSO. Between 2010/11 and 2013/14 we increased fundraising expenditure from 7% to 10% of our income. This investment has allowed us to diversify our income sources, and reduce our reliance on the strategic grant. We have also strengthened regional teams to win significant restricted funding, for example the Girls Education Challenge Fund in Nepal and Mozambique. As a result of this investment and ongoing work in fundraising, our income from restricted funds increased by 24% between 2012/13 and 2013/14.

VSO Income 2010/11 – 2014/15



\*2010/11 restricted income includes monies related to Latin America programmes, which are no longer within the VSO country portfolio

**“Our office move to Kingston has saved £400,000 per year”**

The strategic grant still represents an important source of funds, accounting for 32% of our total income in 2013/14, down from 46% in 2012/13 and 54% in 2011/12. Over the past three years we have used this unrestricted money to leverage further funding – in 2013/14 each £1 of the strategic grant enabled us to leverage a further £2 – and to start new initiatives, such as the International Citizen Service contract, and our programme in South Sudan. VSO has come a long way in preparing for the future. Over the coming year we will continue to invest in, and focus on, our ability to better evidence the quality of our development programmes.



Paul Green  
Director of Finance, IT and Corporate Performance

Our patron, HRH The Princess Royal, officially opened our Kingston offices in January 2014



## Reference and administrative details

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<b>Charity name:</b>	Voluntary Service Overseas
<b>Charity registration:</b>	313757 (England and Wales), SC039117 (Scotland)
<b>Company registration:</b>	703509
<b>Registered office:</b>	100 London Road, Kingston upon Thames KT2 6QJ

### The International Board of Trustees

as at 31 March 2014 (no changes in membership up until 11 July 2014)

<b>Mari Simonen (Chair)<sup>†~</sup></b>	Former Deputy Executive Director, United Nations Population Fund (UNFPA), New York, USA
<b>John Bason (Treasurer)<sup>*†</sup></b>	Finance Director, Associated British Foods Plc, London, UK
<b>Tom Carver</b>	Vice-President, Communications and Strategy, Carnegie Endowment for International Peace, Washington, DC, USA
<b>Sir Andrew Cubie KBE, CBE, FRSE (Vice-Chair)<sup>^</sup></b>	Consultant, Edinburgh, UK
<b>Pamela Culpepper<sup>†</sup></b>	Senior Vice-President of Global Diversity and Inclusion, PepsiCo, Chicago, USA (as of June 2014, became Chief People Officer, Golin, Chicago, USA)
<b>Rasheda Choudhury</b>	Executive Director, Campaign for Popular Education (CAMPE), Dhaka, Bangladesh
<b>Dr Noerine Kaleeba</b>	Patron and Founder, TASO Uganda, and Vice-Chair, Uganda National Health Research Organization, Uganda
<b>Steven Pidgeon<sup>*</sup></b>	Fundraising consultant, UK
<b>Anjali Sen<sup>*</sup></b>	Regional Director, International Planned Parenthood Federation (IPPF) South Asia region, Delhi, India
<b>Wayan Vota</b>	Senior Mobile Advisor, FHI 360, Washington, DC, USA

### Independent International Board sub-committee members

as at 31 March 2014 (no changes in membership up until 11 July 2014 unless otherwise stated)

Hugh Burkitt<sup>^</sup>, Jose Gonsalves<sup>\*</sup>, Hardeep Jhutti<sup>^</sup>, Superna Khosla<sup>^</sup>, Neil Menzies<sup>\*</sup>, Chris Merry<sup>^</sup>,  
Dr Judy Muthuri<sup>^</sup>, Amanda Rowlatt<sup>^</sup>, Christine Wallace<sup>^</sup> (joined June 2014), Steve Westwell<sup>^</sup>

### Former members of the International Board of Trustees

(during reporting year 2013/14)

<b>Nthobi Angel<sup>*</sup></b>	Chair, KagisoTiso Holdings, Johannesburg (until July 2013)
<b>Mark Astarita</b>	Fundraising Director, British Red Cross, London (until November 2013)

### Former Independent International Board sub-committee members

(during reporting year 2013/14)

**Victoria Anderson<sup>^</sup>** (until February 2014)

\* Audit and Risk Committee (board sub-committee)

† Remuneration Committee (board sub-committee)

~ Nomination Committee (board sub-committee, disbanded in November 2013)

^ UK Board (board sub-committee)



### Federation Council members

as at 31 March 2014 (no changes in membership up until 11 July 2014)

<b>The Rt Hon the Baroness Armstrong of Hill Top<sup>^</sup></b>	Chair
<b>Pieter Marres</b>	VSO Netherlands
<b>Katanu Mwosa</b>	VSO Jitolee (Kenya)
<b>Vitaliano Nanagas II</b>	VSO Bahaginan (Philippines)
<b>Iarla Mongey</b>	VSO Ireland
<b>John McLean</b>	VSO China Co-opted
<b>Hardeep Jhutti</b>	VSO UK

### Global Leadership Team

as at 31 March 2014 (no changes in membership up until 11 July 2014)

<b>Marg Mayne</b>	Chief Executive
<b>Amanda Bringans</b>	Director of Global Fundraising and Communications
<b>Donne Cameron</b>	Director of Africa Group
<b>Matthew Foster</b>	Director of Strategy and Programme Effectiveness
<b>Kathryn Gordon</b>	Director of People Group
<b>Paul Green</b>	Director of Finance, IT and Corporate Performance
<b>Brian Rockliffe OBE</b>	Director of International Citizen Service
<b>Angela Salt OBE</b>	Director of VSO UK
<b>John Sayer</b>	Director of Asia and Pacific Group

### Former Global Leadership Team members

(during reporting year 2013/14)

<b>Tiziana Oliva</b>	Director of Africa Group (until October 2013)
<b>Jon Rosser</b>	Interim Director of Policy and Programme Effectiveness (until June 2013)
<b>Shaun Vincent</b>	Interim Director of Asia Pacific Group (until January 2014)

### International Federation members

VSO works within an international federation of member organisations, together with four independent members:

- VSO Jitolee (Kenya) ([www.vsojitolee.org](http://www.vsojitolee.org))
- VSO Netherlands ([www.vso.nl](http://www.vso.nl))
- VSO Bahaginan (Philippines) ([www.vsobahaginan.org](http://www.vsobahaginan.org))
- VSO Ireland ([www.vso.ie](http://www.vso.ie))

### Royal patron

HRH The Princess Royal

### Bankers

Barclays Bank Plc, 1 Churchill Place, Canary Wharf, London E14 5HP  
Standard Chartered Bank, 1 Basinghall Avenue, London EC2V 5DD

### Auditor

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

# Structure, governance and management

## Our structure

Voluntary Service Overseas (VSO) is a company limited by guarantee, registered in England and Wales, with company number 703509. It is registered as a charity in England and Wales and as a Scottish cross-border charity. VSO's activities in Scotland are the same as those carried out in England and Wales, and VSO is, as required by the Office of the Scottish Charity Regulator, reporting on its Scottish activities as an integral part of this report.

VSO has three wholly owned subsidiaries: VSO Trading Limited (England and Wales), British Executive Service Overseas (England and Wales) (dormant) and Beijing VSO Consulting Company Limited, a Chinese-registered, wholly foreign-owned enterprise. VSO's governing document is its Memorandum and Articles of Association.

## Our governance

### International Board

VSO's governing body is the International Board, currently comprising 10 trustees. They are the legal corporate directors and members of VSO. The International Board meets three times a year in person. These formal meetings typically last for at least one full day, with an additional half-day briefing session to offer the opportunity for further engagement and insight into VSO's work. All trustees serve for an initial period of three years, with the option of a further extension of three years. They serve voluntarily and receive reimbursement for out-of-pocket expenses only.

The trustees are recruited through an open selection process, overseen by the VSO Federation Council. They receive a comprehensive induction on appointment, and ongoing engagement throughout their term of office is through regular updates from the chief executive, a designated link to a member of the Global Leadership Team, membership of relevant board sub-committees and participation as expert advisers to ad hoc organisational working groups. The performance of the International Board as a whole is a continuous process. Feedback is received after each board meeting and this contributes to the planning of the next meeting. Annually the individual members, along with the Global Leadership Team, are invited to contribute to a review of the group's performance. Individual trustees make annual commitments to VSO over and above their responsibilities as directors and members.

The International Board is responsible for approving and monitoring implementation of VSO's long-term strategy, annual corporate plan, objectives and budget, approval of constitutional changes, and the appointment of new trustees and the chief executive.





**Mari Simonen, Chair**  
*Chair, Remuneration Committee  
 Chair, Nominations Committee*  
 Former Deputy Executive Director,  
 United Nations Population Fund (UNFPA),  
 New York, USA



**John Bason, Honorary Treasurer**  
*Chair, Audit and Risk Committee  
 Remuneration Committee*  
 Finance Director, Associated British  
 Foods Plc, London, UK



**Tom Carver**  
 Vice-President for Communications  
 and Strategy, Carnegie Endowment for  
 International Peace, Washington, DC, USA



**Sir Andrew Cubie KBE CBE FRSE, Vice-Chair**  
*Chair, UK Board*  
 Consultant, Edinburgh, UK



**Pamela Culpepper**  
*Remuneration Committee*  
 Chief People Officer, Golin, Chicago, USA



**Rasheda Choudhury**  
 Executive Director, Campaign for Popular  
 Education (CAMPE), Dhaka, Bangladesh



**Dr Noerine Kaleeba**  
 Patron and founder, TASO Uganda and  
 Vice-Chair, Uganda National Health Research  
 Organization, Uganda



**Stephen Pidgeon**  
 Fundraising consultant, UK



**Anjali Sen**  
*Audit and Risk Committee*  
 Regional Director, International Planned  
 Parenthood Federation, South Asia Region,  
 Delhi, India



**Wayan Vota**  
 Senior Mobile Advisor, FHI 360,  
 Washington, DC, USA

**International Board sub-committees**

During 2013/14, the International Board had four sub-committees, two of which have independent members (see page 8 for details):

- **Audit and Risk:** responsible for assessing the effectiveness of operational and financial risk management and internal control.
- **Nominations:** responsible for recommending appointments to the International Board and its sub-committees. This committee was disbanded in November 2013, and this function is now carried out by the Chair of the International Board.
- **Remuneration:** responsible for deciding remuneration for the Global Leadership Team.
- **UK Board:** responsible for VSO's operational activities in the UK.

### Global Leadership Team

The International Board delegates VSO's day-to-day management to the chief executive and the Global Leadership Team. The Global Leadership Team has operational oversight of VSO's global work. Each Global Leadership Team member is responsible for an area of VSO's global operations, including finance, human resources and organisational development, and geographical management of Africa Group and Asia and Pacific Group.

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



**Marg Mayne**  
Chief Executive



**Amanda Bringans**  
Director of Global Fundraising and Communications



**Donne Cameron**  
Director of Africa Group



**Matt Foster**  
Director of Strategy and Programme Effectiveness



**Kathryn Gordon**  
Director of People Group



**Paul Green**  
Director of Finance, IT and Corporate Performance



**Brian Rockliffe OBE**  
Director of International Citizen Service



**Angela Salt OBE**  
Director of VSO UK



**John Sayer**  
Director of Asia and Pacific Group



### VSO Federation

VSO is proud to work as part of the VSO Federation – an international network of organisations that share VSO’s vision of a world without poverty, in which people work together to fulfil their potential. The VSO Federation comprises VSO (operating as both VSO International and VSO UK), VSO Ireland, VSO Jitolee (Kenya), VSO Netherlands and VSO Bahaginan (Philippines).

Each VSO federation member is a self-governing, not-for-profit legal entity. As signatories to the VSO Federation Agreement, the federation members have committed to work together as the VSO Federation to jointly deliver the VSO strategy. They have agreed to global policies for volunteer recruitment, fundraising, advocacy and programme delivery, and work closely together to achieve the objectives in the VSO Corporate Business Plan.

Each federation member (and VSO UK) has nominated a representative to the VSO Federation Council, an advisory body created to advise the International Board on matters relevant to the VSO Federation. They are responsible for issues relating to membership of the VSO Federation, including membership criteria, the admission of new members, and conducting membership status reviews. The Federation Council has a key role in the governance of VSO itself, being responsible for recruiting and selecting candidates to serve on VSO’s International Board.

Annual reports for each VSO federation member are available on their websites.

VSO is committed to achieving best practice standards of corporate governance (in line with the recommendations in the UK Good Governance Code for the Voluntary and Community Sector).

### Public benefit

We developed our *People First* strategy and three-year corporate business plan to advance our charitable objectives, as outlined in our governance document, and to ensure we provide public benefit based on guidance from the Charity Commission. Through this process our Global Leadership Team and trustees ensure that our activities continue to be in line with our charitable objectives while contributing to public benefit. This report shows how our organisation operates for the public benefit by detailing our objectives, activities, achievements and performance.

### Grant-making policies

Under the terms of the partnership agreements that exist between the charity and the other members of the VSO Federation, ICS consortium members and in-country partner organisations, the charity provides funds to such organisations in order to allow them to undertake agreed activities in pursuit of VSO’s aims.

### VSO in Scotland

The Major Partnership Manager for Scotland, based in the VSO Edinburgh office, raises our profile in Scotland through participation in networks including the Scotland Malawi Partnership and the Scottish Parliament Cross Party Group on International Development, where we presented on our Valuing Volunteers research in June. We were very pleased to receive a new three-year grant from the Scottish Government South Asia Development Programme, for an innovative health rights project in Orissa State, India.

The Scottish Government has continued to fund two VSO projects in Malawi: a climate justice project in four drought-affected districts, and a maternal health project supporting health workers in rural areas of Ntcheu district.

Of the volunteers recruited by VSO UK in 2013/14, 7% (14) of the international volunteers and 6% (33) of the ICS volunteers were living in Scotland when they applied.

## Statement of Trustees' responsibilities

The trustees are responsible for preparing the Strategic Report, the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charity and of the incoming resources and application of resources, including the income and expenditure, of the group and charity for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the trustees. The trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Information to auditors

This report and financial statements complies with all current statutory requirements, the requirements of VSO's Memorandum and Articles of Association, and *Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005)*.

In accordance with company law, as the trustees of the charity, we certify that:

- so far as we are aware, there is no relevant audit information of which the charity's auditors are unaware
- we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

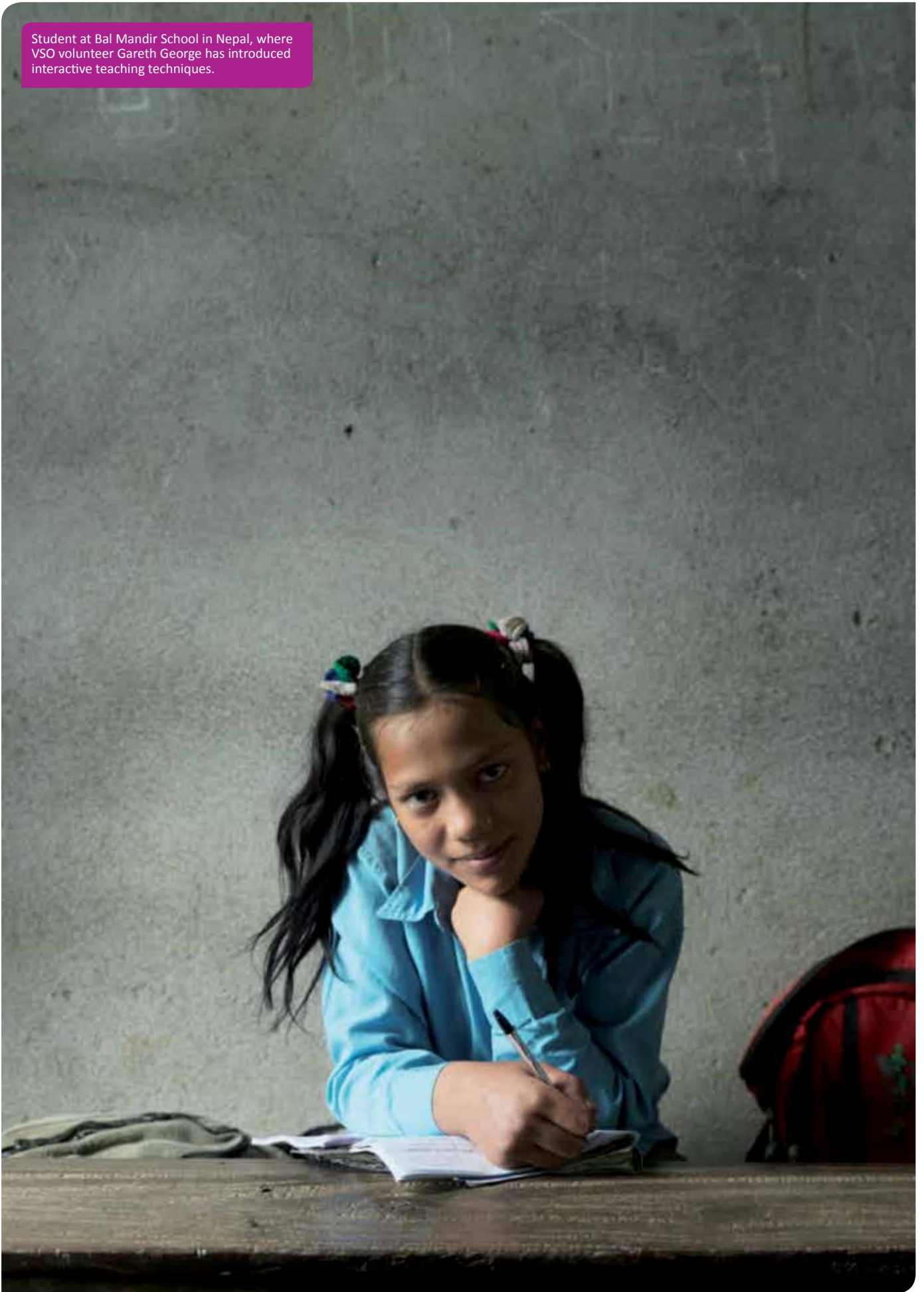
### Auditors

BDO LLP have expressed their willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the next annual general meeting.



**On behalf of the Board of Trustees**  
**Mari Simonen**  
**Chair**  
**11 July 2014**

Student at Bal Mandir School in Nepal, where VSO volunteer Gareth George has introduced interactive teaching techniques.



## About VSO: objectives and activities

**VSO's vision is a world without poverty. Since 1958 our mission has been to bring people together to fight poverty through the lasting power of volunteering.**

### What we do

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

- advance education and to aid in 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.

VSO fights poverty by delivering two key outputs:

- NGOs and governments providing better-quality services in maternal and reproductive health, HIV and AIDS, basic education and economic self-reliance, especially for women
- more policies that promote the interests of poor and marginalised people, and more governments being held to account through strengthened civil society, network-building and advocacy.

This year, in line with *People First* and our corporate objectives, we had the following organisational priorities:

- invest more resource in understanding the impact and effectiveness of our work and build on learning
- get the right number of volunteers, with the most appropriate skills, into our programmes
- ensure we have a strong and diversified set of income streams
- ensure we are as cost effective as we can be, thus maximising our investment in programme work.

### Where do we work?

We work where we believe we can make the most difference in fighting poverty. In 2013/14 this was in 35 countries around the world **supporting over 660 partners** working in education, health, HIV and AIDS, participation and governance, and secure livelihoods. We have a global network where federation members and country offices work together through integrated regional groupings. Both federation members and country offices recruit volunteers, fundraise, advocate and deliver programmes.

### How we do it

Our national and international volunteers work with education professionals, health practitioners, entrepreneurs, community leaders, policy makers and activists. By combining volunteers' diverse and complementary skills and ideas with local knowledge and expertise, we identify and implement innovative solutions to development challenges and campaign for change. This creates an environment for social change by strengthening human capital and local ownership.

We work in four thematic areas: **education; health, HIV and AIDS; participation and governance;** and **secure livelihoods**. These are supported by our cross-cutting themes of **gender, disability and climate change**. These themes are linked to the priorities of our partners overseas, international development targets and our areas of expertise.



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

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



**VSO works for the public benefit through the following interventions:**



**International volunteering**

In 2013/14, 1,487 VSO international volunteers worked in our programmes, providing over 301,980 volunteering days. International volunteers share their skills and experience to build capacity, improve the services of our partner organisations and support the development of their community volunteering programmes.



**National and community volunteering**

We believe that local volunteering can make a significant contribution to sustainable development, providing pathways to greater participation, voice, influence and ownership over how development happens. By supporting individuals and in turn communities to take action on poverty and inequality, either within their community or elsewhere in their country, we promote active citizenship, greater inclusion and stronger local accountabilities.

In 2013/14, 1,197 national volunteers recruited and placed by VSO contributed over 157,390 days of volunteering within our development programmes. As well as recruiting VSO national volunteers, we continue to give support to volunteering initiatives led by our partners. In the past year VSO provided training, mentoring, or learning exchange opportunities to over 60,000 community volunteers and supported 60 partner organisations to improve their volunteer management capacity.



**Youth and International Citizen Service volunteering**

We are developing a network of young volunteers around the world who can take an active role, both in their own communities and others, in the fight to end poverty. In 2013/14, 579 VSO ICS UK volunteers started their placements, and worked alongside 361 national ICS volunteers, to contribute over 74,200 days of volunteering. The ICS agencies as a whole recruited 3,644 volunteers from 28 countries, who contributed to over 291,700 days of volunteering.



**Parliamentary volunteering**

We believe that engaging decision-makers is critical to tackling the causes and effects of poverty around the world. In 2013/14, four parliamentarians and an eminent volunteer from the UK volunteered in placements that were matched to their personal experience and advocacy expertise.



**Corporate volunteering and partnerships**

Our corporate partnerships provide us with financial support, technical expertise and employee volunteering. Corporate volunteers, supported by their companies, provide a valuable contribution to our international volunteer cohort, bringing with them a wealth of skills from the private sector to benefit VSO's partners and country offices.



**International policy and advocacy**

Our policy and advocacy work has had an impact in the UK and internationally. We carry out research that aims to influence pro-poor policy at all levels of society. Currently, in partnership with the Institute of Development Studies, we are undertaking research which will contribute to the external body of knowledge on volunteering for development.

Through our research and programmatic experiences we have been able to share our knowledge with the development community and government bodies. In 2013/14, we hosted a regional conference in Asia to share learning with organisations such as UNESCO and the International Labour Organization. We shared our post-2015 position papers to inform collaborative advocacy efforts with organisations such as the Peace Corps and United Nations Volunteers, and in February a delegation from VSO attended the UN Commission on the Status of Women in New York (for further information see page 19).

## Strategic Report

### Achievements and performance Some highlights of the year



#### International Citizen Service Entrepreneur pilot

In March 2014 Justine Greening, Secretary of State for International Development, joined VSO to announce the launch of a new initiative of the International Citizen Service programme: ICS Entrepreneur. This project will team young people with business aptitude and relevant skills from the UK and developing countries with small businesses to improve their profitability. Unemployment is a key challenge facing young people around the world, and tackling this challenge can boost economic growth in some of the world's poorest communities.

Young people from the UK will get the chance to work alongside ICS volunteers from developing countries to share ideas and perspectives to generate innovative new opportunities and solutions. In turn, the volunteers will gain skills and experiences that demonstrate to future employers that they have the ability to innovate, understand global markets and work in new and challenging environments.

We will work with three delivery partners on the ICS Entrepreneur pilot programme: Challenges Worldwide, Balloon Ventures and Raleigh International.

#### Second cohort of European Union Aid volunteers

In the past year VSO has started the second stage of the EU Aid volunteers project, following the successful pilot in 2012/13. This is funded by the European Commission, and we deliver it in partnership with our federation member, VSO Netherlands, and Pro Vobis Romania. Sixteen expert volunteers will work with nine host organisations in the Philippines, Pakistan and India, on disaster risk reduction, disaster management and climate change adaptation. By January 2015, the project aims to have improved the technical skills and capacity of up to 1,000 employees in national host organisations and to have developed disaster management and resilience plans affecting 200,000 people in 60 communities.



#### New office in Myanmar

VSO has been working with migrant communities on the Thailand–Myanmar border since 1999. In 2013/14, in response to the changing political environment, we opened a new country office in Yangon, Myanmar, and the first three international volunteers arrived in February 2014. We already have strong partnerships with ethnic civil society organisations that provide education in conflict-affected parts of the country, and with organisations that work to support ethnic minority human rights. VSO plans to develop further partnerships during the next year.



## The Million Hours Fund

The Million Hours Fund is a private philanthropy initiative, which aims to raise £1 million in order to release more than one million hours of national volunteering – local people volunteering in their own countries and communities. Since the fund was launched, we have raised £710,000 for VSO projects in India, Mozambique, Tajikistan and Tanzania.

One project the fund has supported over the past few years is in Jharkand Province, east India, where 50% of the population live in poverty. Many marginalised people, including women and disabled people, have no access to basic healthcare services. Over the past two years, this Million Hours Fund project has created a network of national volunteers who are champions in their villages on health-related issues and have reached out to over 90,000 families to enable them to access vital prenatal and postnatal healthcare services.



## The value of volunteers

In January 2014 we published an interim report detailing the emerging findings from *Valuing Volunteering* – a two-year systemic action research project looking into how, when and why volunteering affects poverty. The research is conducted in partnership with the Institute of Development Studies. It aims to expand our knowledge of the attributes of volunteering as a development intervention. The lessons learnt through the research will be used within VSO and shared across the sector to inform and strengthen the design and implementation of development interventions through volunteers. The research is being carried out in five countries: Ghana, Kenya, Mozambique, Nepal and the Philippines.

Initial findings show that volunteers bridge the gap between technical assistance and community-led sustainable change. As relationships form between volunteers and those they are working with, ideas can be generated on both sides; solutions to development issues that may have been identified internationally or nationally are adapted to the local context, locally owned and sustained. The final report will be published in January 2015.

## VSO at the UN’s 58<sup>th</sup> Session of the Commission on the Status of Women

VSO’s delegation at the Commission on the Status of Women (CSW) in New York included Cath Nixon, a VSO UK international volunteer, our Nepal Country Director, Asia Pacific Regional Advocacy Adviser, Post-2015 Coordinator and VSO partner organisation Sankalpa. During the event, we held meetings with UN representatives to advocate for women’s participation and influence in decision-making to be part of the post-2015 agenda. We also held three side events, in partnership with UN Volunteering, the Kenyan Women’s Parliamentary Association and the EU. We were particularly pleased that the final outcome document from the CSW referred to the inclusion of a stand-alone gender goal in the post-2015 framework – a milestone we have been advocating for through our Women in Power campaign. Speaking about her experience at the event, Cath Nixon said: “coming from placement in rural Nepal where raising women’s awareness of their rights (both health and political) has been a key part of my work, it is amazing to be here and see how these rights are forged globally and written into conventions that inform the work that we do.”



# Education

VSO education programmes aim to ensure there is equal access to quality education services.

### How we work

We work by increasing the numbers of qualified and trained teachers, improving leadership and management of education services, increasing community engagement, and promoting evidence-based policy and practice.

We supported education services in 16 countries this year, working with 167 partners including local, regional and national education authorities, teacher training colleges, parent–teacher associations, and civil society organisations.

### Key achievements in 2013/14

- In Nepal, as a result of our work with community volunteers from the Dalit Welfare Organisation, 824 children from the marginalised Dalit community now regularly attend **mainstream schools**.
- Supported by VSO, village chiefs in the Jirapa district of **Ghana** have drafted and introduced by-laws that will **reduce forced marriage** and child labour and make it easier for girls to attend school and complete their education.
- In **Rwanda** we have been tackling **teaching practices** and **school leadership issues** in conjunction. In 17 districts, head teachers have been trained in school leadership and teacher support, and at the same time child-centred teaching methods have been introduced. In one case, a school in this project in the Karongi District rose from 125<sup>th</sup> to 13<sup>th</sup> in pupil performance.
- Improvements in **pre and in-service teacher training** have been reported in 12 countries where VSO works. In **Ethiopia**, where we have trained 2,393 teacher instructors, more effective teaching skills and practices have been observed. Overall, the learning style and performance has improved among 21,874 pre-service trainee teachers in Ethiopia.
- In **Nigeria** we worked in the Madobi and Dala Local Government Areas of Kano State to improve access to **education for out-of-school girls** – 100 girls were enrolled into schools through the project and supported with school start-up kits.

### At a glance



167

We work with 167 education partners in 16 countries.



615,950

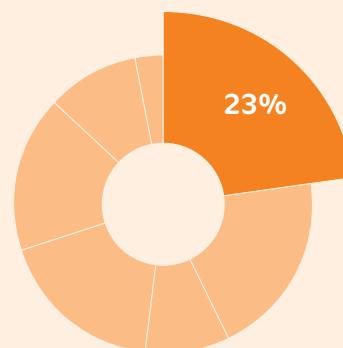
615,950 adults and children benefited from the quality education services we have supported, including 978 people with a disability.



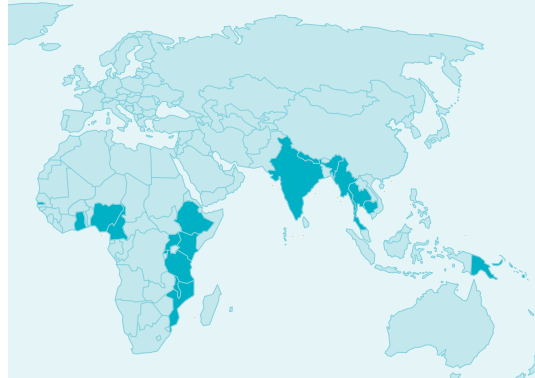
93,800

93,800 education practitioners have been trained.

### % expenditure



### Countries we work in



Cambodia, Cameroon, Ethiopia, The Gambia, Ghana, India, Kenya, Malawi, Mozambique, Nepal, Nigeria, Papua New Guinea, Rwanda, Tanzania, Thailand/ Myanmar, Uganda



### Campaigning for change

We have helped the National Campaign for Education in **Nepal** lobby for an increase in the pay of local Early Childhood Development coordinators who play a vital role in laying the foundation for increasing access to, and improving learning outcomes at, primary level. As a result, their monthly pay has risen from 1,800 to 3,000 Nepalese rupees (£11 to £19).

In Rajasthan, **India**, the government has reopened eight schools after 10,000 parents, children, teachers and community representatives took part in public meetings supported by VSO on the **Right to Education Act**.

In **Malawi**, the government has passed a revised education act making primary education compulsory, partly as a result of **lobbying by local groups** supported by VSO volunteers.

Our volunteers have also helped to **shape government policies on special needs** and inclusive education in **Ghana**, working with groups such as the Ghana National Education Campaign Coalition.

### Looking ahead

We will continue to enhance the skills of education practitioners, increase the capacity of government and civil society education organisations, and support the development and implementation of education policies to ensure that marginalised children and youth have access to quality education.

Next year we will be testing and validating our theory of change; at the heart of this is learning from VSO's approach to improving teacher effectiveness. In addition, we will be building on the innovative work we do in information and communications technology (ICT) and education, and exploring opportunities to increase it. We will engage in more research to build our evidence base and explore the opportunities provided by regional knowledge sharing and learning.

“The discrimination, pains and difficulties which I faced in my childhood and in completing my education won't be faced by the children of today for sure. The contribution made by VSO has been really crucial for supporting the communities and children from the poor and deprived groups.”

Raj Kumar, VSO's Senior Programme Manager for Education in Nepal



### Creating vital opportunities for marginalised children in Nepal

In Nepal, 47% of Dalits, or ‘untouchables’, live below the poverty line, and school dropout rates are high among Dalit children. Ten-year-old Prinsi was born in extreme poverty. As a girl from the Dalit caste, living without her parents in her grandmother’s care, she was at serious risk of dropping out of school. VSO education volunteer Gareth George began sharing skills at Prinsi’s school to improve class attendance among marginalised children.

Prinsi goes to one of Nepal’s government schools which are attended by the most marginalised children, whose parents cannot afford fees. “She came barely five to six days a month,” said her school teacher, Bishnu Maya, who describes Prinsi as a girl who normally comes to school in dirty clothes, hungry and without books and pencils. Her circumstances led her to become a weak student and lose interest in her studies. Prinsi’s head teacher, Mahendra, says her problems are typical of many pupils whose parents are more concerned with their next meal than encouraging their children to go to school every day.

Prinsi’s school is one of six government-run schools in the town of Surkhet that Gareth visits weekly. Over two years, Gareth has built relationships with the headteachers and teachers to encourage the use of lesson plans, ‘low cost, no cost’ techniques to engage children more effectively in the classroom. Gareth has also helped the teachers transform the empty stone classroom walls into lively and fun environments, and encouraged them to use interactive teaching methods that stimulate the minds of their pupils. “Now we make daily class plans and use simple locally available resources to make our own teaching materials,” remarks Bishnu.

Since Gareth began work to brighten up classroom activities and walls, Prinsi has started attending her school more frequently. In fact, nowadays she barely misses a day. Her chances of a better future are now far greater.

# Health, HIV and AIDS

**We aim to respond to the global health crisis by improving the skills of frontline health workers and improving management of health, HIV and AIDS services. We work to increase community engagement in health to ensure that marginalised people have access to quality maternal, child, sexual and reproductive health, and HIV and AIDS services.**

### How we work

Through our health, HIV and AIDS projects, we enhance the skills of nurses, doctors, midwives, community health workers and volunteers. We improve the administration of health services at district, regional and national level. We focus on maternal, child, sexual and reproductive health, HIV and AIDS services. Our volunteers work to reduce the stigma and discrimination experienced by people with HIV and AIDS and support people caring for relatives or friends with HIV and AIDS.

Our health, HIV and AIDS partners include local and national government health institutions, training colleges and civil society community health organisations. In 2013/14, VSO worked with 189 health, HIV and AIDS partners in 22 countries.

### Key achievements in 2013/14

- The **neonatal intensive care unit** in Yirgalem Hospital, **Ethiopia**, has become a national centre of excellence. Set up by VSO volunteers working with local employees at the hospital, it has reduced the number of deaths of newborn children by two-thirds. Similar units have been set up by VSO at two other hospitals in the country, and employees have been trained at an additional three. Vodacom, a VSO partner organisation, is piloting work to develop this programme in Ethiopia using mobile technology to increase health information services in rural areas.
- Our volunteers worked with health institutions and colleges in **South Sudan** to **train nurses** as part of a wider DFID-funded project.
- In Chingeltei district, **Mongolia**, there are now 95 active **community health volunteers (CHVs)** as a result of a VSO project to recruit and train CHVs in that region. Mongolia's Ministry of Health now includes community volunteering in its development plans at provincial health level.
- In 2013/14, 192,322 people benefited from improved **HIV and AIDS** prevention, treatment, and care and support services as a result of VSO's Regional AIDS Initiative of Southern Africa (RAISA) across seven countries. In **Mozambique**, VSO volunteers worked with five partner organisations in our project Addressing HIV and AIDS in the Beira Corridor. We trained 269 local volunteers in how to deliver basic medical care in the home to people living with HIV and AIDS. Volunteers trained by the project went on to support 5,393 people.

### At a glance



189

We work with 189 health, HIV and AIDS partners in 22 countries.



1,040,000

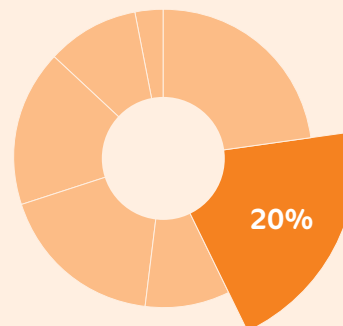
1,040,000 people accessed quality healthcare services through our combined health, HIV and AIDS programmes, 60% of these being women.



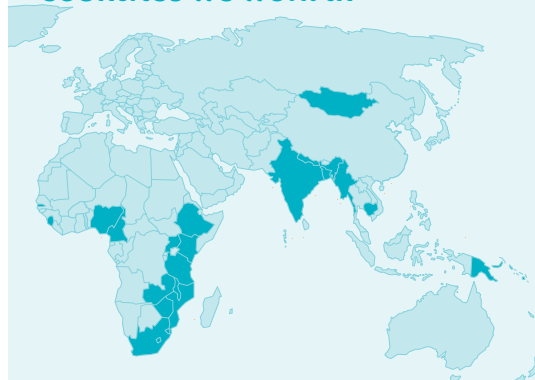
39,980

39,980 health, HIV and AIDS practitioners have received high-quality training.

### % expenditure



### Countries we work in



Bangladesh, Cambodia, Cameroon, Ethiopia, The Gambia, India, Kenya, Lesotho, Malawi, Mongolia, Mozambique, Nepal, Nigeria, Papua New Guinea, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, Vanuatu, Zambia, Zimbabwe

### Campaigning for change

We are working with teachers and religious leaders in **Sierra Leone** to help change families' attitudes to **teenage pregnancy**. Many teenage parents drop out of school, and 40% of women who die in pregnancy or within 42 days of giving birth are teenagers.

People from the poorest communities in Odisha, **India**, will have a say in how health services are planned and delivered as a result of a community project to use **text and voice messaging** to record their views and needs. VSO helps with training and gives technical advice.

In **Zambia** and **Mozambique**, we play a crucial role in pressing governments to introduce policies that assist people caring for someone living with HIV and AIDS. In July 2013, we helped to draft **Zambia's** National Volunteer Caregiver Policy, and in September, Baroness Jay, a VSO parliamentarian volunteer, worked with Zambian parliamentarians to lobby the government to implement and provide resources for the policy.

### Looking ahead

We will continue to help provide better healthcare services and advocate for health policies that benefit the poorest people in the community. We will strengthen partnerships with relevant organisations to continue to build an evidence base demonstrating the impact of community health volunteering.

In 2013/14, for the first time we have reported on our combined health and HIV and AIDS programmes, emphasising how we have mainstreamed HIV and AIDS work into our wider health programmes rather than treating them separately. We will continue this practice, using our integrated theory of change to drive how we approach these programmes.

“I was bedridden and had lost all hope, only waiting to die, but when the volunteers started coming to take care and support me, I regained the will to live.”

A recipient of services provided by VSO's partner organisation, New Dawn of Hope, in Zimbabwe, describes the impact their support had.



### Reducing neonatal mortality in southern Tanzania

Tanzania's Southern Zone is one of the country's poorest, with one of the highest neonatal mortality rates in the country. The project No Baby Left Out is a collaboration between the health sector of VSO Tanzania, and the Regional Health Management Team in the Lindi Region, Gesellschaft für Internationale Zusammenarbeit and several partner hospitals including St Walburg's Hospital. The project aimed to reduce neonatal deaths in these regions by improving health workers' ability to assess babies during their first 24 hours. The newborn triage checklist is used to assess whether a baby is healthy or needs referral.

Before the project, medical assistance of newborns was neglected as there was a misconception that under-5 childcare was limited to examination and treatment of babies and children aged 1 to 5 years. If a mother's health was OK, she and her baby would simply be discharged from the hospital without an examination of the newborn.

Dr Sandra Subtil, on a VSO placement at St Walburg's Hospital, works alongside local medical professionals to help improve the use of the newborn triage checklist, improve postnatal care on the wards and establish a newborn ward with dedicated employees and good equipment. She said, "I chose VSO because I always wanted to use my professional skills in the developing world, and decided against acute and crisis care because I wanted to do something sustainable. I have a big passion for teaching and I have a real interest in different cultures. VSO combined these three things perfectly."

Now health employees at the Neonatal Intensive Care Unit and health centres understand that babies need to be taken care of like any other patient. A paediatrician or health worker sees the babies at least three times before they are discharged. While success has been observed with regard to the image of newborns as patients, more work still needs to be done in dealing with employee shortages, linking maternal and neonatal health and ensuring the project develops in scale and sustainability.



# Participation and governance

**We aim to give a voice to individuals, groups and organisations by supporting their efforts to influence and engage with governments and other service providers.**

## How we work

We support the development of systems, structures, policies and practices that empower disadvantaged people to influence the decisions that affect their lives. In 2013/14, we worked with 74 participation and governance partners, including human rights organisations, women’s groups and government departments, in 18 countries.

## Key achievements in 2013/14

- More women in the Chipata district of **Zambia** are accessing land as a result of a project, supported by VSO, to raise awareness of land rights and mentor community advocacy committees.
- In collaboration with the Women Rights Association, VSO **Pakistan** is implementing the **Voice of Peace** project in five Multan districts; this project will train 160 local youth volunteers who will become advocates in their communities, promoting respect for different faiths, conflict resolution and building peace.
- We are working with vulnerable hill tribes, migrant and refugee populations on the **Thailand–Myanmar border** to build their understanding of **democratic processes** so they can influence government decisions that affect their lives.
- In **Rwanda**, over 1,000 **people with disabilities** were trained in basic literacy and numeracy by 50 VSO-trained community volunteers, encouraging greater inclusion and participation.
- In **Cambodia**, we are supporting the newly formed **district councils** to become more accountable, providing capacity building for district council employees to help them conduct community needs assessments, and encouraging the councils to hold regular community consultations.
- In **Bangladesh**, we worked with 60 government-led community clinics to increase their **accountability** to local people for the quality of the services they provide.
- As well as working in local communities, we make sure that **national governments’** key policies and strategies take into account the needs of the poorest and most marginalised citizens:
  - In partnership with UN Women, we worked with women’s and girls’ groups across Tanzania to help them influence the country’s new constitution, which is currently being drafted by the government to make sure it is gender sensitive.
  - By working with the government of Cambodia, we are able to influence national plans on issues such as education, health, agriculture and labour, so that they take into account the needs of the poorest people.

## At a glance



73

We work with 73 participation and governance partners in 18 countries.



114,050

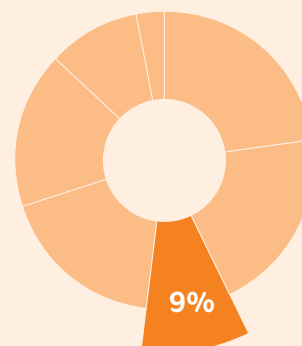
114,050 men and women benefited from VSO interventions in participation and governance.



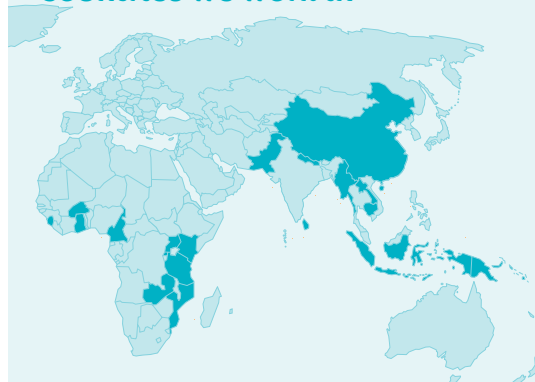
880

880 central, regional and district government officials have received formal training on disability issues.

## % expenditure



## Countries we work in



Burkina Faso, Cambodia, Cameroon, China, Ghana, Indonesia, Kenya, Laos, Mozambique, Nepal, Pakistan, Papua New Guinea, Rwanda, Sierra Leone, Sri Lanka, Tanzania, Uganda, Zambia



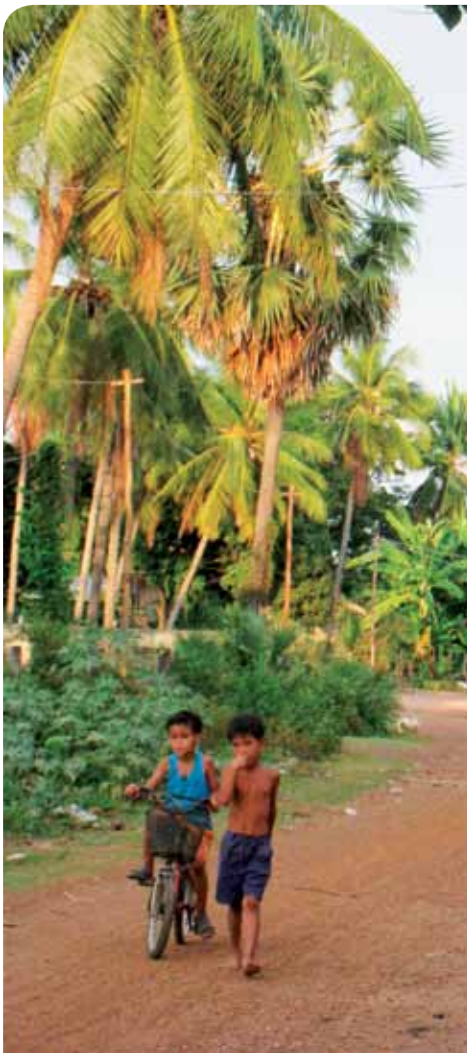
**Looking ahead**

Next year VSO will undertake a review of our participation and governance programmes to identify good practice and define our strengths. We will develop a **theory of change**, showing precisely the processes by which our participation and governance projects lead to measurable change.



“VSO sources high-quality and motivated volunteers to strengthen national systems within government and strengthen capacity within civil society organisations through coaching and mentoring to great effect. VSO has built a strong reputation in terms of bringing local-level challenges and putting them on the policy dialogue table. One example of this is their commitment to ensuring more effective deployment of teachers in areas with high density of indigenous populations. This is now a priority issue for the Ministry to address.”

**Erika Boak**, Officer in Charge, UNICEF Cambodia, comments on the role of VSO in the education sector in Cambodia.



**Salary reform for Cambodian teachers**

VSO Cambodia partnered with two education advocacy partners, NGO Education Partnership (NEP) and Cambodian Independent Teachers Association (CITA), to influence policy change from national to school level in Cambodia. VSO volunteers Gordon Conochie and Kieran Way worked with the partners to understand the major challenges faced by teachers in Cambodia. They soon discovered that late payment of salaries and unofficial deductions were two of the major causes of low motivation among teachers.

The payment system meant teachers had to pay to travel to the Department of Education every month to receive their salary in cash. Often they arrived to find no one was there and had to return several times before getting paid. They often found that deductions were made from their salaries for no apparent reason. Gordon, Kieran and NEP met with the leaders of a major Cambodian bank to discuss the introduction of bank accounts for the transfer of teacher salaries, and how this could work in practice to make payments to teachers more reliable and efficient. NEP and CITA together shared this information with the Minister for Education in Cambodia.

The reform of the system for paying teachers’ salaries has been a priority for VSO Cambodia and education advocacy partners NEP and CITA since 2011, and success has followed after two years of dedicated researching, campaigning and lobbying. VSO volunteer Alice Chandler, an education adviser, visited schools in Monduliri province, eastern Cambodia, after news of advocacy success, and reported that, “the teachers were happy that they were being paid directly from the government and that they would no longer be victims of the mysterious deductions they incurred from their salary.”

# Secure livelihoods

**We aim to help disadvantaged communities become more economically self-sufficient and resilient.**

## How we work

We enable communities to become economically resilient, helping them to understand and manage their local environment, particularly in the face of climate change. We enable people to gain control of the resources they need to become more secure. This includes making sure growers and producers get a fair return for their work, and that employees are fairly treated.

In 2013/14, we supported secure livelihood projects in 22 countries, working with 197 partners including government departments, social enterprises, private sector companies, technical schools and training institutes.

## Key achievements in 2013/14

- Groundnut growers in **The Gambia** now get a fair price for their crop from buyers, partly thanks to our work helping growers' associations improve their **negotiation skills**. Groundnuts now fetch 59% more than last year, leading to significant increases in family income.
- Our programme to support vocational institutes in northern **Uganda** has helped 4,620 young people **gain** technical and employment **skills** in carpentry, tailoring and engineering.
- In Khagrachari, **Bangladesh**, 3,025 people have benefited from a project to help farmers in six villages form **cooperatives**, including helping them develop business plans and gain access to finance to improve their production.
- In **Nigeria**, through Project Agape, we have supported the training of 740 **community agricultural extension volunteers** and **farmers** in the community. The training includes post-harvest management, compost making and business development.
- VSO volunteers helped coffee producers in Kagera, **Tanzania**, set up internal systems to make sure their beans met international **organic standards**. Producers secured contracts with foreign coffee-roasting companies as a result, bringing benefits to 22,762 people in the area.
- VSO **Malawi** has partnered with the Malawi Government through the Ministry of Tourism, Wildlife and Culture to apply **market-based strategies** to facilitate **meaningful participation of poor people** in the tourism value chain. With support of a volunteer ecotourism adviser, we facilitated training, exchange visits and mentoring at regional tourism offices. As a result, three ecotourism groups, with a total of 215 members, have been strengthened.

## At a glance



197

We work with 197 secure livelihood partners in 22 countries.



312,320

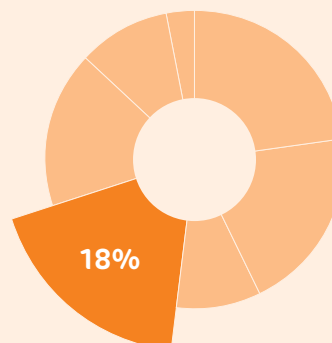
312,320 men and women have benefited from quality secure livelihood services.



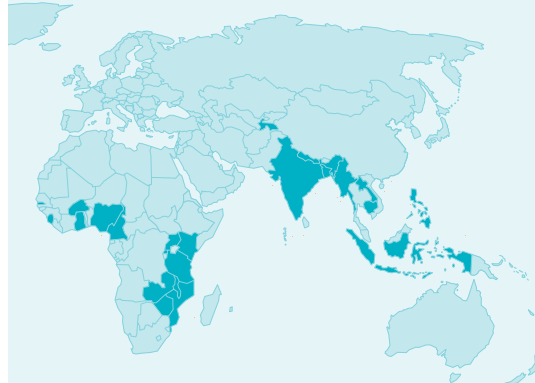
27,330

27,330 practitioners have been trained in secure livelihoods services.

## % expenditure



## Countries we work in



Bangladesh, Burkina Faso, Cambodia, Cameroon, The Gambia, Ghana, India, Indonesia, Kenya, Laos, Malawi, Mozambique, Nepal, Nigeria, the Philippines, Rwanda, Sierra Leone, Tajikistan, Tanzania, Uganda, Zambia, Zimbabwe

### Campaigning for change

We work with government and civil society organisations to promote policies that support marginalised people to have a secure livelihood. In **Laos**, we worked with the Department of Forestry Resource Management and the UN Development Programme to improve forest practices, management and control at community level. Volunteers distributed **12,000 posters** and **2,000 handbooks** to people in **48 villages** on sustainable biodiversity conservation, climate change and land degradation.

### Looking ahead

We will continue to support farmers, business service providers and government employees to enhance their skills and knowledge relevant to their work in supporting marginalised people. We will encourage our partner organisations to improve the design and delivery of livelihoods-related services, and advocate for policies which enable disadvantaged women and young people to have a sustainable livelihood.

We will test and validate our new global theory of change, building on evidence to demonstrate our impact and strengthen programme design, particularly our work in market systems. We will work to ensure that climate change adaptation and disaster risk reduction strategies are mainstreamed, where appropriate, into our community resilience building, and wider livelihoods work.

“VSO works to help local people make decisions about their own lives and futures. It doesn’t work in a way that says ‘we know best’ but allows the local communities to plan their own futures.”

**Victoria Fletcher**, a VSO international volunteer who worked as a business development adviser with our partner organisation, the National Association of Business Women of Tajikistan. This organisation supports young female entrepreneurs starting their own businesses.



### Delivering fresh milk to orphans in northern Malawi

Malawi has one of the world’s highest rates of child malnutrition, and issues of availability and affordability of milk play a key role in the crisis. Rona Ramos, a VSO volunteer from the Philippines, worked with Mzuzu’s rural dairy farmers to increase sales of milk through the farmers’ dairy cooperatives. During her VSO placement Rona worked with the farmers to introduce smaller packaging for fresh milk to make it affordable to larger numbers of people, and improved milk processing, leading to better-quality milk.

Through these improved systems the farmers now produce and process more milk to reach a greater number of people in Mzuzu. Orphanage children are just one of many groups benefiting from daily deliveries of the smaller and more affordable milk sachets.

In Mzuzu, the changes have meant that the dairy cooperative no longer loses £46 a month, but has profits of £450–750 a month. The number of regular clients of the dairy cooperative has doubled.

40-year-old Hesco Banda, a dairy farmer in Mzuzu, had always struggled to earn enough money, “There were times I couldn’t send my children to school, or buy food and clothes for the family,” he recalls. “Now I am well dressed and I’ve been able to construct a new house. I can pay school fees and I have ideas and plans to grow my business in the future.”

This is a small but scalable example of how our Making Markets Work for the Poor (MMW4P) project has helped transform the income and quality of life for rural farmers and enable hundreds of thousands of Malawians to access the fresh milk they need.

*MMW4P is a global livelihoods project funded by Accenture, and has benefited over 365,000 poor and marginalised people. The project equips local partner organisations to drive improvements through market-oriented approaches. It aims to build a better understanding of markets and to create more and better opportunities for poor and disadvantaged people to participate. Regional hubs in Cambodia, Guyana, Malawi, Nigeria and Tanzania provide opportunities for VSO to develop best practice and share learning within and across regions.*



## Youth and youth programmes

The scale and scope of VSO youth programmes continues to grow. Through our youth work we aim to **improve the lives of young people living in poverty**, support young people to be **active** in development work, and support **youth participation** in their communities.

In **Tanzania**, VSO ICS volunteers worked alongside 330 youth community volunteers trained as part of the Million Hours Fund project as peer educators – sharing information on sexual reproductive health, civic education and entrepreneurship. This has led to **greater awareness** about sexual reproductive health issues for over 2,000 young people, and through the entrepreneur training, 25 income-generating groups in three regions have been formed by the young people.



### International Citizen Service

The VSO ICS programme highlights the contribution young people can make to development across health, secure livelihoods, civic participation, education and environment sectors. Working in cross-cultural pairs and teams, VSO ICS volunteers' energy and commitment achieved significant outputs this year: see the infographic for key highlights.

**Change in communities:** ICS volunteers work with young people in communities to change attitudes and promote active participation. In Bohol, the Philippines, 2,480 young people have increased awareness of environmental issues affecting the Carood Watershed as a result of the ICS team conducting peer education and awareness-raising activities in schools and youth clubs. ICS volunteers supported the Union of Carood Youth Group (UCYG) to form a Memorandum of Agreement with the Carood Watershed Model Forest Management Council. Six representatives of UCYG now sit as official youth delegates in the council's regular meetings and there are accounts of increased youth participation in environmental management.

**Change for partners:** "An ICS volunteer submitted, and was successful in receiving, a \$47,000 grant from the United Nations Development Programme under the Access to Justice Fund. This has enabled the organisation to work to cover a wider number of people and to turn project ideas into tangible concepts." The Director of CAHSec, a VSO partner in Sierra Leone, highlights a key achievement of an ICS volunteer in the past year. ICS volunteers have had a significant impact on partner organisations – raising their profile on social media and building organisational capacity through improving monitoring and evaluation systems.

**Change for individuals:** "ICS has been, and will continue to be, a transformational experience for many thousands of young people in the UK and across the developing world" (Lynne Featherstone, Parliamentary Under-Secretary of State for International Development). Volunteers have reported how their ICS experience has helped them to engage more effectively in their community, forming alumni networks and supporting local community development initiatives. All volunteers undertake 'Action at Home' projects, which continue their involvement in development work after their placement has ended. VSO Ethiopia commented: "The programme has been impactful [in] changing the lives of the Ethiopian volunteers, where 73% of them secured jobs."

### Leadership of the consortium

Under our leadership, ICS has supported more than 5,000 young people from the UK and developing countries to work together on community development projects in more than 30 countries around the world. In 2013/14, 2,219 ICS volunteers from the UK took part, and VSO now leads a group of nine different development organisations managing this significant contract.

The programme was recently awarded an A+ in its DFID annual review, and its independently conducted mid-term evaluation found that 97% of volunteers found ICS useful or very useful for personal development, and 96% for professional development; 97% of ICS's partners said the programme had benefited their organisation, and more than three-quarters of those surveyed said ICS had helped to improve community engagement.





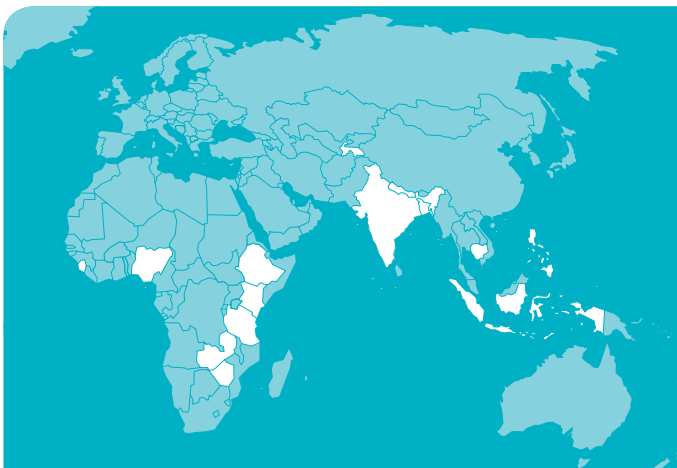
### My time as an ICS volunteer

*Bonavitha B Gahaihi, VSO national volunteer in Tanzania*

When I came to the ICS programme I did not have so many skills. I hesitated a lot, felt very shy, nervous and I wasn't confident enough to speak in public.

While on the ICS programme I participated in team Global Citizenship Days, discussing different global issues. I attended team meetings and Community Action Days. Most of my time I spent running sexual reproductive health sessions with different groups of people in schools, churches, on football pitches, volleyball pitches and even at bus stands. I ran a session in Swahili almost single-handedly to a crowd of 100 people!

My time on the ICS programme has developed my organisational and facilitation skills, opened my eyes to working with other cultures, increased my self-confidence in public speaking and taught me to work with limited resources. I no longer fear people's eyes. I am more creative, more knowledgeable and better able to work in a team. The programme has had a significant impact on my future plans. I can now go and start up my own office, working to build awareness about environmental conservation. I now feel confident to hold big meetings with large crowds of people from different nations.



74,200 days

Since April 2013, 940 VSO ICS volunteers worked as part of 87 teams in 46 communities and 14 countries across Africa and Asia contributing to over 74,200 volunteer days.

**Countries with VSO ICS programmes:** Bangladesh, Cambodia, Ethiopia, India, Indonesia, Kenya, Nepal, Nigeria, the Philippines, Sierra Leone, Tajikistan, Tanzania, Zambia and Zimbabwe

#### VSO ICS volunteers achieved the following over the past year



730

peer education activities



360

resource development projects



332

action research projects



708

awareness raising events



60

community infrastructure projects

“ICS has been, and will continue to be, a transformational experience for many thousands of young people in the UK and across the developing world.”

Lynne Featherstone,  
Parliamentary Under-Secretary of State

## Programme innovations and learning

At VSO we are constantly adapting the way we work. Our unique approach of putting volunteers at the heart of communities means we can adapt our work to respond to local challenges and needs. Below are a few examples of how we have done this over the past year, as well as examples of how we are learning from our programme experiences.



We are exploring new ways in which technology can enhance and support our development programmes. In **Papua New Guinea**, the physical environment makes it difficult for volunteers to access remote areas. VSO partnered with the Australian Department of Foreign Affairs and Trade and the Department of Education to create an innovative, international volunteer-led approach to teacher training. Using mobile messaging, SMS Story delivered 200 stories and lesson plans to teachers in Simbu and Madang provinces over a period of 20 weeks. At the end of this trial, the reading ability of more than 1,000 children was significantly higher than that of other elementary school children, and 20–34% higher than the project's control group of children. VSO PNG is now looking to scale this programme nationally and presented the innovation at the UNESCO Mobile Learning Week in Paris in February 2014.



In supporting the local government ministry in system strengthening, our programme in **Zambia** found that if volunteers are placed directly with a district council, they sometimes end up carrying out the daily work of the office because of employee shortages. In order to ensure they have greater impact and sustainability, we now place volunteers at the provincial level with the resources to build the capacity of several councils.



In **India**, we have found that working with community and national volunteers is a very effective way of engaging with local partners and beneficiaries, and of building critical knowledge at the local level to maximise sustainability. Community volunteers are in a unique position: they often have strong ownership of the project, there are no language barriers, and they are able to relate well to the processes already in place within the community. We plan to scale up our work with national and community volunteers, recognising there is a large supply of skilled national volunteers and the opportunity this provides to share skills across the country.



In **Rwanda**, a survey conducted for an education project showed little difference in pupil learning between VSO intervention schools and control schools. VSO volunteers were being spread too thinly across a number of schools, limiting the quality of the follow-ups the volunteers can do with the school authorities. This has been taken into account, and plans have been made for each volunteer to concentrate on 10-15 schools for quality control and assurance.



In **Tanzania**, we have developed a model of volunteering in our health programme, which combines working with two long-term volunteers and a cohort of short-term advisers who come for short periods of time at regular intervals. This has proved a particularly successful way of working since it allows the long-term volunteers to benefit from additional expertise and ensures that our partners are more empowered to implement new projects and procedures.

“The VSO approach is the only one that works, working with the system and being part of the process of change, you see that you are making a difference.”

Sue Howes, who volunteered with VSO in Uganda in the late 1960s and continues to support our work there with her husband Greg Dyke.



## UK activities

**In the UK we work to raise support for development, campaign for key issues in poverty reduction, and recruit professional and youth volunteers for VSO programmes. Our work in the UK is crucial in the fight against poverty.**

“It is rare that I have felt as useful in such a short period of time.”

Rt Hon Lord McConnell

### Public support for development

As part of our strategy to boost public support for development, and with funding from the Bill and Melinda Gates Foundation, we have introduced new training and support to enable volunteers to produce and distribute media and social media stories. Using platforms such as personal blogs, local newspapers and professional magazines, this year VSO's ICS and professional volunteers reached 1.2 million people in the UK with engaging accounts of volunteering.

### Women in Power campaign

As well as building support for development and aid, VSO UK has continued to deliver the Women in Power campaign, which seeks to secure political commitment to empower women by ensuring that the post-2015 development framework includes a goal on gender equality and a target on women's influence in politics and public life.

In September 2013 we organised an event in Westminster engaging over 100 MPs. At this event volunteers had the opportunity to meet cabinet ministers including Foreign Secretary William Hague and Nicky Morgan MP (now Minister for Women). We have also lobbied internationally, attending both the UN General Assembly in September 2013 and the Commission on the Status of Women in March 2014. Furthermore, through our support for a private member's bill proposed by Bill Cash MP, we helped advocate for a change in the law, ensuring that all future UK development programmes take into account the impact of their work on gender equality.

### Parliamentary volunteers

As part of our parliamentary volunteering scheme, the Rt Hon Lord McConnell volunteered in the Philippines, where he worked with a coalition of NGOs to help advocate their priorities for the post-2015 development framework to key decision makers. Four other parliamentarians and eminent volunteers took part in the scheme this year, sharing their expertise in placements matched to their political and campaigning experience.

### VSO UK at a glance

#### Digital reach



615,000

The UK website received 615,000 unique visitors in the last 12 months.



11,800

At the end of March 2014, VSO had 11,800 (@vsouk) Twitter followers.



19,000

At the end of March 2014, VSO had 19,000 Facebook likes.

#### Media 2013/14



925

Between 1 April 2013 and 31 March 2014, VSO has been mentioned 925 times across print, broadcast and online media.



There were articles about VSO's work in the Guardian, Independent, i, Telegraph, TimeOut, Evening Standard, Metro, Observer and Daily Mail. Volunteers also featured in the British Medical Journal and Education Today. We were included in online editions of the Daily Mail and Huffington Post.



VSO was mentioned on the following radio stations: BBC Radio 5 Live and BBC local radio stations including BBC Radio Scotland, Leeds, York, Stoke, Manchester, Lancashire and Yorkshire.



There were reports of VSO's work on BBC World News, Sky News and Antiques Roadshow.



# Fundraising

Our fundraising objectives for 2013/14 were to:

- secure follow-on funding from DFID
- broaden and grow our income portfolio, bringing in a wider range of donors
- increase support for our programme work from the private sector.

The Secretary of State for International Development has approved a two-year extension to VSO’s strategic grant. This will underpin our organisation, so we can continue to grow the scale and quality of our development programmes, and invest in growing our future independent income stream.

Total global income continues to grow in line with our five-year funding plan, with hard-won increases in the size of individual, institutional, trust and foundation grants. This is a strong endorsement of the impact that our programmes have on poverty in the countries where we work, and is a platform from which we aim to continue to grow in the future.

In all our markets, raising individual giving is challenging; however, in 2013/14 we recruited over 14,400 new regular givers across the UK and Ireland. Legacy income exceeded target and, thanks to the generous bequest of Agnes McIntyre, we received our largest-ever single legacy.

We continue to partner with the private sector to raise income and access business capability, influential networks, skills and human resources. New partnerships with global companies such as IBM and Barclays are being forged, and existing ones strengthened, including a recent expansion of BG Group’s support for vocational skills training in Tanzania.



## Sisters for Sisters Education

VSO Nepal recently received formal approval from DFID to implement their highly innovative Girls Education Challenge Fund project Sisters for Sisters Education. The project focuses on girls who have proved hardest to reach through other education interventions. Marginalised girls, or ‘Big Sisters’, will be trained and supported to complete a full cycle of education. These girls then provide academic and emotional support via a mentoring model to some of the most marginalised girls, or ‘Little Sisters’. This is a prime example of a new funding model being rolled out by many institutional donors, where the donor (in this case DFID) sub-contracts the management of the fund to a private sector organisation – in this instance PwC. The VSO Nepal team and support employees across VSO have worked hard to meet tough project design, monitoring and evaluation criteria. Their success in securing the contract is a major vote of confidence in VSO’s approach to development.



VSO’s Christmas concert at St Paul’s Cathedral raised over £200,000 in a single evening.

# Accountability

**At VSO, we recognise the importance of being accountable to those we work with. During 2013/14 we maintained existing processes and procedures which keep us accountable, while also taking steps to improve and strengthen our accountability to those we work with.**

## Internal accountability

In 2013/14 we maintained momentum in our **anti-corruption policy** – all employees are now required to complete our online anti-corruption training in their first week at VSO. In addition we maintain an **ethical review log**, to ensure that our private sector partners or donors meet the criteria in our **ethical fundraising policy**. Furthermore, we have a regular schedule of **internal audits** of our country offices, ensuring that both financial and non-financial processes are robust and that risks are being identified and mitigated.

We have an **annual employee survey** to ensure our employees have a voice. The response rate of 84% this year shows that employees value the opportunity to contribute their opinion. Volunteers are invited to complete our **global volunteer survey** during and shortly after their placement. A project is under way to make sure that we increasingly utilise and respond to the voice of both our employees and volunteers.

Each year our **corporate business plan** sets out the priorities and plans for the next three years, along with the **key performance indicators** (KPIs) and their targets for the forthcoming period. Our **quarterly business review** at the end of each quarter is an opportunity to report on progress against our KPIs. This process allows us to be accountable to our employees and trustees.

## External accountability

During 2013/14 we became fully compliant with the **International Aid Transparency Initiative** (IATI) standards. IATI is a global transparency standard that aims to make information about global aid spending easier to access, use, understand and compare. Each quarter we publish financial and strategic information about our programme activity, on the IATI database, split by theme and country. We have now implemented an **open information policy**, details of which are given on our website. Our **annual reports and financial statements** are also available on our website, and were last year shortlisted for the Institute of Chartered Accountants in England and Wales online reporting awards.

In February 2014 we decided to become a partner of the **International Civil Society Centre**. The centre believes that by setting clearer objectives, measuring results, developing more efficient structures and being more transparent in reporting, international civil society organisations (ICSOs) could become more effective in their work for a better world. The centre promotes accountability across the sector as the Secretariat of the International Non-Governmental Organisation Accountability Charter. Being a part of this network will enable VSO to collaborate with other ICSOs, learn from their experiences and share our expertise on volunteering in development.

Through our Impact and Effectiveness change programme, we are increasingly able to clearly describe and measure our impact on poverty around the world. To this end, we conduct **annual partnership reviews** with all our partners to discuss, learn from and evaluate the progress of work; these often include speaking to beneficiaries about their experiences. As part of this exercise we measure the VSO-supported programme work of each of our partners against a number of indicators in our development results framework. We are increasingly refining the protocols of the data collection to ensure that our development results are measured consistently across countries, and we have greater confidence in the robustness of our results, as discussed in more detail in the box on page 35.

### Note on data accuracy

The numbers indicating our development impact within this report have come from the 2013/14 Annual Partnership Reviews (APRs), which were undertaken with each of our 662 partners\*.

In our efforts to maintain and improve our accountability to stakeholders, we have taken steps to increase the data quality relating to the depth and breadth of our work. We have ensured standardised definitions and methodologies have been used to maintain consistency across all countries, partners and areas. In addition we have improved processes around eliminating data that cannot be verified, and removing any double counting in reporting the number of people we reach. This is an ongoing process and we will work to keep improving data integrity when reporting on our work. In some cases we have also introduced new and improved protocols to better define beneficiaries or national volunteers, resulting in a decrease of our overall reach numbers, but we are confident they are those we have had a meaningful relationship with.

We engaged external consultants to review the progress of our developments in monitoring and evaluation methodologies and processes. They concluded:

“VSO has worked hard over the past 12 months to improve the accuracy of the data provided through the APR and Partnership Monitoring and Learning Tool (PMLT) process. The introduction of data protocols, recruitment of Regional Monitoring and Evaluation managers, face to face training on the new protocols and templates and the amended PMLT form have all proved themselves to be important additions to the process and contributed towards the increased accuracy of the data.” (Source: Jigsaw Consult, APR-PMLT verification exercise 2014 – final report)

However, we acknowledge that numbers only tell part of the story – throughout the report we have included quotes, stories and examples of how the work of VSO, through our volunteers, has helped to bring about meaningful and lasting change in the lives of many of the poorest people in the world.

*\*Our reach statistics do not include South Sudan since we exited the country before the annual partnership reviews took place.*



## Report on corporate objectives

**In 2013/14 we continued our quarterly reporting system. A key part of this process is monitoring how we are performing against our corporate objectives through our key performance indicators. In the table below we describe our performance over the last year.**

### Putting people at the centre of our work

We have made significant progress in our Impact and Effectiveness change programme and ended 2013/14 on a high. Through this programme we are working to be even more accountable to our beneficiaries by evidencing our impact and improving programme quality.

For the second year running we received 100% annual partnership review submissions from all country offices. But even more importantly, the quality of the data received improved significantly compared with last year's data, indicating that the refined monitoring and evaluation systems and processes are a success.

### Provide partners with a wide range of support

At the end of 2013/14 we had achieved 26% fewer international volunteer days than planned at the start of the year. This is due to changes in the way we work with volunteers; there is an increasing demand for national and youth volunteering, which in some cases requires smaller numbers of international volunteers. In addition, there have been some unexpected delays in funding and difficulties matching supply and demand.

We have successfully implemented a new volunteer management system. The system is helping to streamline the application process, and enables people to apply from anywhere in the world to volunteer in one of our programmes, opening up new markets and opportunities.

In 2013/14 the International Citizen Service, led by VSO, sent 2,219 young people from the UK to volunteer in 27 countries around the world. VSO delivered 579 UK volunteers, who worked alongside 361 national volunteers. These volunteers continued to provide our partners with support to complement the long-term international volunteer programmes.

We have continued to offer other interventions for our partners, for example helping them to maximise the use of national volunteers. Following changes in our protocols and definitions, the number of national volunteering days is significantly lower than last year and the target for this year; for further explanation see the box on page 35.



**Strategically manage our country portfolio**

We had to follow through on some difficult decisions in 2013/14 in order to use our resources most effectively. As a result, we closed our country offices in Burkina Faso, Cameroon, Indonesia, Laos, Mongolia and Sri Lanka at the end of the year. We have had some great successes in these countries, and although it is sad to leave, we believe we can have more impact by directing our resources to the remaining countries in our portfolio.

As a result of our strategic planning in this area, our programme work is more focused and sustainable over the longer term. We have continued to meet our target of spending at least two-thirds of our programme expenditure in least developed countries and fragile states; this year it stood at 82%.

**Be an agile and cost-effective organisation**

This year we implemented the first phase of our new volunteer and people management system which is due to be fully implemented by early 2014/15. We established regional support functions to assist the day-to-day running of country offices, began to develop a new compensation and benefits framework and have embedded new procurement processes. We relocated our head office, which released savings of £400,000 a year. All these changes are a result of our Quality and Performance programme. A financial review of this programme showed that the investment of £4.5 million is forecast to save £4.5 million annually. Over the course of the programme our support costs as a proportion of our income has reduced by 30% and we will maintain this metric in the future.

**Be high-performing, transparent and accountable in our work**

Our employee engagement score remains high, at 81%. In 2013/14, we started a volunteer and employee voice project, which is working to establish clear accountability for the continuous engagement of volunteers and employees. We continued to publish financial data online, in accordance with the IATI, and took the first steps in becoming joint partners of the International Civil Society Centre, which is the Secretariat of the INGO Accountability Charter.

**Growing our global income**

The Global Income Growth programme entered its final year in 2013/14. It put in place a strong global strategy for achieving income growth, a team and infrastructure to support that, and a change in culture to embed fundraising across VSO. The programme has been successful in boosting unrestricted income from a low base, and has achieved a shift in our organisational culture and approach to fundraising globally. Our income grew by £11.6 million in 2013/14; in particular our restricted income grew by 24%.

## Future plans

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**2014/15 is the fourth year of our People First strategy. This year, we will continue to improve our internal systems and ensure we are producing quality programmes so that we have the biggest effect in the places that most need it.**

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Our *People First* strategy sets six strategic directions, which enable us to channel our energies effectively to significantly increase our impact on poverty. These are to:

- ensure that our primary stakeholders are integral to the design implementation and review of our development programmes
- provide our partners with support based on our core competencies through our international, national and youth volunteers
- ensure we are working in countries where we can make the biggest difference in fighting poverty
- reduce support costs and maximise our investment in programme work
- be a more open, transparent and accountable organisation where people have better clarity on responsibilities, accountabilities and values
- grow our global income.

Having recently been awarded a two-year extension to our DFID strategic grant, we will continue to build on these key directions as a way to make us more effective in our work. In 2014/15 we will be focusing on building an organisation that is the right quality, size, and shape that is able to adapt to new opportunities and challenges. We believe that by ensuring VSO adheres to these three key principles along with our six strategic directions we will be a stronger, more effective and evidence-based NGO able to adapt to external changes in our funding environment.

### **Right quality – improving the programme cycle**

Building programmes of the highest quality is our key organisational focus for the next three years as we seek to maximise our impact in the fight against poverty. Through our Impact and Effectiveness programme, we will improve how we utilise our knowledge base and increase country office capacity to create evidence-based programmes with robust programme cycles. In 2014/15, we will hold a number of collaborative workshops in countries around the world to re-evaluate and sharpen our programme-planning cycle. We have developed a monitoring and evaluation curriculum, which will be rolled out to all relevant employees, further equipping them to evidence the positive impact we have in poor communities.

### **Right shape – allocating resources effectively**

We want to allocate the maximum resources to the right places to provide efficient and effective delivery of our goals and objectives. We will maintain the 30% reduction in our support costs going forward, and maintain our increased level of investment in fundraising and communications to ensure future income can be sustained. Country offices are now also benchmarked against metrics of cost ratios and income sources. All these metrics give us a framework that balances our financial resources going forward in a way that supports efficiency and sustainability.

### **Right size – managing our portfolio**

We will continue to respond to new opportunities and challenges as they arise, and it is therefore important for us to manage our infrastructure, including the portfolio of countries that we work in, allowing us to both expand and contract depending on the scale of our resources in the future. We will go where we can make the biggest impact, so we will continually evaluate where we work, in order to invest more in programmes that have been proven to be successful, while also ensuring that all our country offices are of a sustainable size.

Beth Stillings Cohen is a VSO education volunteer who has worked across three government schools in Nepal to improve inclusion and reduce the dropout rate of Dalit children.



## Principal risks and uncertainties

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**The Global Leadership Team identifies the key risks facing VSO after considering the input from each UK-based department, country office and federation member. These key risks are documented in a risk register, which is discussed with the Audit and Risk Committee and International Board of Trustees. The risk register is updated to reflect recent operational and financial developments, strategic annual organisational objectives and changes in the external environment. Each risk item is analysed according to its perceived potential impact and likelihood of occurrence, together with actions that either have been, or will be, taken in mitigation. The risk register is reviewed quarterly and amended, and actions taken accordingly.**

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The risk management process has resulted in a high priority being placed on the risks that:

- VSO is unable to demonstrate its contribution to development using robust evidence gathered through systematic monitoring and evaluation
- VSO is reliant on key positions to implement the strategy – high-quality country directors and employees are essential
- VSO is unable to meet restricted and unrestricted income targets.

The trustees are satisfied that there are procedures in place commensurate with the size of the key risks and other identified risks to prevent or manage their effects. These procedures include active implementation of control systems and processes throughout the entire organisation, the transfer of risk to external insurers and the acceptance of risks that cannot be avoided. Where appropriate, financial provision may be made on the balance sheet, or reserves set aside in case of adverse events in the future. In addition, the internal audit plan developed and implemented each year is based on and consistent with the identified risks. The Audit and Risk Committee monitors the implementation of the internal audit plan.

We have paid particular attention during the year to the leadership and coordination of our global fundraising efforts, managing the organisation's strategic change programmes, and the global employee and volunteer recruitment plan. Our trustees recognise that some areas of work require the acceptance and management of risk if our key objectives are to be achieved.



Richard Peter is a fish farmer in Madakiya, Nigeria. He has received technical training in fish farming, marketing and business training from local VSO partner, Premier Agricultural Development. Richard is now sharing his learning as a community extension volunteer.



# Financial review

In 2013/14 income resources totalled £68.7 million, which is an increase of £11.6 million (20%) on the previous year's total of £57.1 million. Our success has been achieved through a mixture of our DFID strategic grant and diversifying our income streams through bidding for specific projects and increasing our fundraising expenditure.

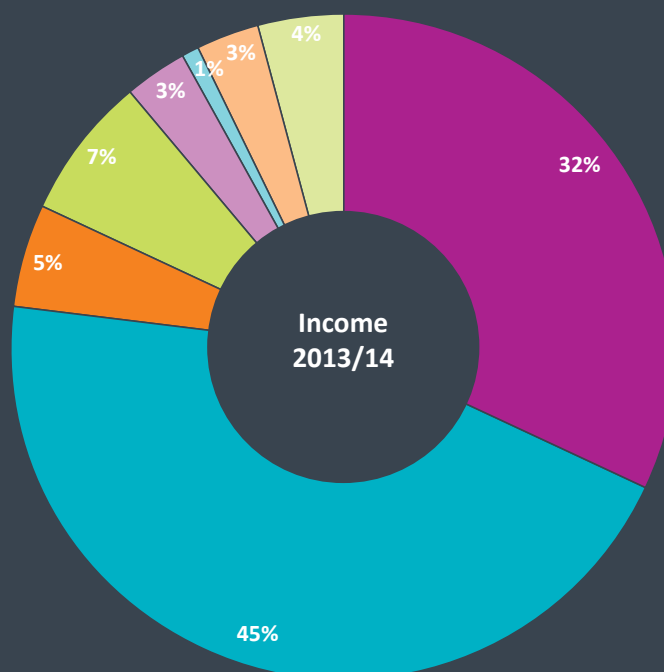
## Income

In April 2011, a three-year strategic grant was signed with DFID, providing VSO with a grant of £30 million in 2011/12, £26 million in 2012/13 and £22 million in 2013/14. A further two-year extension to this grant has been agreed, whereby we shall receive £22 million in 2014/15 and another £22 million in 2015/16 providing VSO meets the agreed requirements. VSO is grateful to DFID for its continued support and looks forward to maintaining a strong relationship in the foreseeable future.

In 2012/13, DFID awarded a new three-year contract to VSO to manage the International Citizen Service (ICS) programme. This contract represents £16.9 million of income and £15.3 million of expenditure in 2013/14. Part of the ICS work is sub-contracted by VSO to seven other charity partners, representing £11.6 million of the total expenditure in 2013/14.

Over the last three years we have embarked on a programme of diversifying our sources of income. As part of this programme, we have undertaken a wider range of fundraising and other income-generating activities from our resources. For every £1 that we receive from the DFID strategic grant, we leverage £2 from other sources. We are happy to report that this investment has proved successful, with a particular highlight being a 26% increase in income from non-DFID governmental bodies from 2012/13 to 2013/14.

A key source of unrestricted income for VSO comes from individual giving. Our continued investment in this area during 2013/14 has shown a 17% increase in income over the last year. We have also sustained and developed new funding relationships with other key partners, with income from trusts and foundations showing a significant growth of 87%.



- Strategic grant from DFID
- Other governmental income
- Other charitable organisations
- Individuals
- Companies
- Trusts and foundations
- Other grants and donations
- Events and community

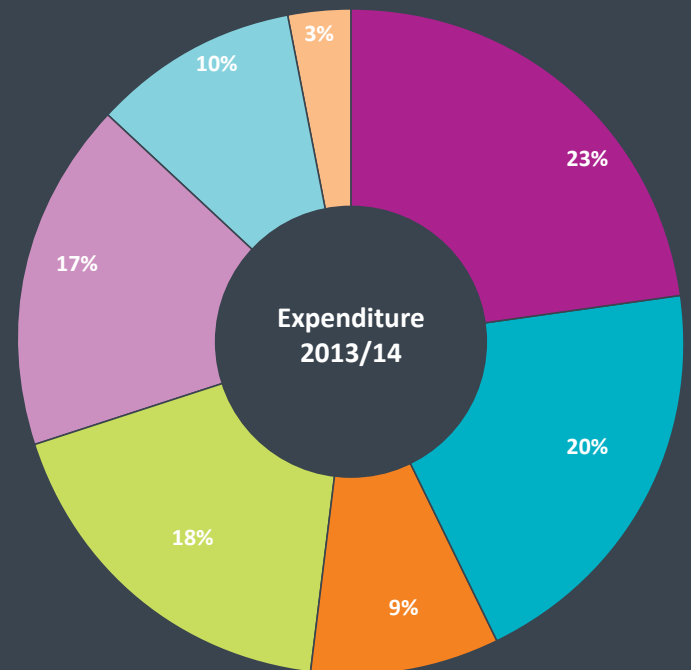
## Expenditure

In accordance with the requirements of *Accounting and Reporting by Charities: Statement of Recommended Practice* (SORP 2005), charitable expenditure is presented in relation to each of VSO’s thematic areas. This has been achieved through the direct allocation of costs to activities undertaken to develop each thematic area together with the indirect allocation of costs that cover more than one theme.

VSO’s total expenditure in 2013/14 was £68.2 million. We spent £59.2 million on programmatic work in the past year, amounting to 87% of our total expenditure. This year we have reduced our thematic areas from six to four, by merging HIV and AIDS with health and treating disability as a cross-cutting theme. Across the remaining four thematic areas, there has been a £1.9 million increase in expenditure against the secure livelihoods thematic area and a £1.2 million increase in expenditure against the education thematic area. Expenditure on health, HIV and AIDS and participation and governance has remained largely consistent with 2012/13. Payments to ICS consortium partners have increased from £6 million in 2012/13 to £11.6 million in 2013/14. The ICS contract has been presented separately to highlight the different goals introduced by other consortium members.

In 2013/14, fundraising costs remained relatively stable, reflecting the continuation of the planned investment in fundraising in order to diversify our income. Much of this investment has been directed towards individual giving.

Under the governance heading, expenditure on the implementation of strategic change has increased due to a change in the phasing of our Quality and Performance programme, which shifted expenditure from 2011/12 into 2012/13 and 2013/14.



- Education
- Health, HIV and AIDS
- Participation and governance
- Secure livelihoods
- Grants to ICS consortium partners
- Costs of generating funds
- Governance costs

### Funds held

Total funds carried forward on 31 March 2014 amounted to £15.2 million of which £6.1 million were restricted funds. Unrestricted funds increased from £8.8 million to £9.1 million. Designated funds increased substantially, leaving a general fund of £5.5 million. This increase in designated funds is due to our decision to relocate our London office and an increase in the designated reserve held against the International Citizen Service contract – this reflects the current position whereby VSO has received more funds on this contract than we have currently spent.

### Reserves policy

The reserves policy covers the level of free reserves that would be immediately available for activities within VSO's overall purpose, and would be appropriate for the charity to hold on a continuing basis. This level takes into account potential volatility in income streams and allows for uncontrollable fluctuations in essential expenditure. It also allows VSO to take advantage of strategic opportunities. The policy sets out the actions that trustees are expected to take to maintain reserves at an appropriate level; the trustees review this level periodically. At the last review in March 2014, a free reserve target level was agreed of £5.7 million and was considered appropriate to address what will be needed over the coming years. At 31 March 2014, VSO's free reserves stood at £5.5 million. When adding in our fixed asset reserve, which is depreciated over 3 to 10 years, our reserves stand at £7.3 million.

### Investment policy

#### Aim

The main aim of VSO's investment policy is to preserve capital, while holding reserves in liquid or near-liquid assets.

#### Policy

VSO's policy is to maintain a risk profile with no assets rated less than single A and with no single credit exposure amounting to more than 20% of the total at any one time. The Board reviews the policy on an annual basis, to consider whether a different policy should be applied; VSO's memorandum gives it the power to invest monies in such investments, securities and property as is thought fit, subject to any legal requirements. The finance team reports on a regular basis to the Audit and Risk Committee on the composition of investments held and their maturity profile. Cash deposits are held with Barclays and Standard Chartered banks, while another component was invested by Royal London Cash Management Ltd (RLCM) until February 2014.

#### Achievements

Many organisations holding riskier investment portfolios were negatively impacted by the global economic climate. VSO continues to take a cautious approach. We have managed to preserve capital through investing in liquid or near-liquid assets.

During 2013/14 it was agreed with the Audit and Risk Committee to dispose of the holding with RLCM as the returns we were receiving were not as good as could be achieved elsewhere. The finance team and Audit and Risk Committee are currently undertaking a more in-depth review of the best options available for investment of our funds.



On behalf of the Board of Trustees  
Mari Simonen  
Chair

11 July 2014



# Independent Auditor's Report to the Members and Trustees of Voluntary Service Overseas

We have audited the financial statements of Voluntary Service Overseas for the year ended 31 March 2014, which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees and members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's trustees and members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees and members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the 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.

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 regulations made under those Acts.

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

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2014, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 (as amended).

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the trustees' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Andrew Stickland Senior Statutory Auditor  
for and on behalf of BDO LLP, Statutory Auditor**

Gatwick  
United Kingdom  
Date: 11 July 2014

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

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated statement of financial activities for the year ended 31 March 2014

Income and expenditure	Note	Unrestricted funds £'000	Restricted funds £'000	Total 2014 £'000	Total 2013 £'000
<b>Incoming resources</b>					
Incoming resources from generated funds:					
<b>Voluntary income</b>					
	2				
Strategic grant from Department for International Development (DFID)		22,000	-	22,000	26,000
Contributions from governmental bodies		16,927	13,818	30,745	16,729
Other grants and donations		6,971	5,780	12,751	13,129
<b>Activities for generating funds</b>					
	2				
Community projects, events and volunteer fundraising		595	2,180	2,775	1,099
Income from lettings		295	-	295	4
<b>Bank interest and investment income</b>					
		143	4	147	119
<b>Total incoming resources</b>		<b>46,931</b>	<b>21,782</b>	<b>68,713</b>	<b>57,080</b>
<b>Resources expended</b>					
<b>Cost of generating funds</b>					
		6,828	-	6,828	7,182
<b>Charitable activities</b>					
	3				
Education		8,264	7,559	15,823	14,641
Health, HIV and AIDS		7,029	6,436	13,465	13,378
Participation and governance		4,162	1,749	5,911	6,086
Secure livelihoods		6,514	5,851	12,365	10,512
Grants to ICS consortium partners		11,622	-	11,622	6,000
<b>Governance costs</b>					
	4	2,212	-	2,212	1,620
<b>Total resources expended</b>		<b>46,632</b>	<b>21,595</b>	<b>68,227</b>	<b>59,419</b>
<b>Net incoming/(outgoing) resources</b>					
	5	299	187	486	(2,339)
Gain/(loss) on investment assets	9	-	-	-	5
<b>Net movement in funds</b>		<b>299</b>	<b>187</b>	<b>486</b>	<b>(2,334)</b>
Total funds brought forward		8,775	5,900	14,675	17,009
<b>Total funds carried forward</b>		<b>9,074</b>	<b>6,087</b>	<b>15,161</b>	<b>14,675</b>

All amounts relate to continuing activities.  
The notes on pages 49 to 67 form part of these financial statements.

# Balance sheets as at 31 March 2014

	Note	Group 2014 £'000	Group 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
<b>Fixed assets</b>					
Tangible assets	8	1,816	682	1,816	682
Investments	9	-	-	43	132
		<b>1,816</b>	<b>682</b>	<b>1,859</b>	<b>814</b>
<b>Current assets</b>					
Debtors	10	13,795	10,222	14,225	10,527
Short-term deposits		1,000	4,537	552	4,537
Cash at bank and in hand:					
in the United Kingdom		8,693	10,268	8,693	9,956
overseas		2,491	1,438	2,457	1,307
		<b>25,979</b>	<b>26,465</b>	<b>25,927</b>	<b>26,327</b>
Creditors: amounts falling due within one year	11	(8,842)	(4,967)	(8,833)	(4,961)
<b>Net current assets</b>		<b>17,137</b>	<b>21,498</b>	<b>17,094</b>	<b>21,366</b>
<b>Total assets less current liabilities</b>		<b>18,953</b>	<b>22,180</b>	<b>18,953</b>	<b>22,180</b>
Creditors: amounts falling due after one year	12	(3,792)	(7,505)	(3,792)	(7,505)
<b>Net assets</b>		<b>15,161</b>	<b>14,675</b>	<b>15,161</b>	<b>14,675</b>
<b>Restricted funds:</b>					
Income funds	13,15	6,087	5,900	6,087	5,900
<b>Unrestricted funds:</b>					
Designated funds					
Fixed asset funds	14,15	1,816	682	1,816	682
ICS fund	14,15	1,743	67	1,743	67
General fund	14,15	5,515	8,026	5,515	8,026
		<b>15,161</b>	<b>14,675</b>	<b>15,161</b>	<b>14,675</b>

The notes on pages 49 to 67 form part of these financial statements.  
The financial statements were approved by the Board of Trustees and authorised for issue on 11 July 2014.



John Bason, Honorary Treasurer

# Consolidated cash flow statement for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	17	(1,734)	2,463
<b>Returns on investments and servicing of finance</b>			
Interest received		147	119
		147	119
<b>Capital expenditure and financial investment</b>			
(Purchase) of tangible fixed assets	8	(2,472)	(983)
Disposal of investments	9	-	1,403
		(2,472)	420
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>		(4,059)	3,002
<b>Management of liquid resources</b>			
Decrease in short-term deposits	19	3,536	2,742
		3,536	2,742
<b>Increase/(decrease) in cash</b>	19	(522)	5,744



# Notes forming part of the Financial Statements for the year ended 31 March 2014

## 1. Accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified for inclusion of investments at valuation. The financial statements are prepared in accordance with applicable accounting standards, *Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005)*, the Charities Accounts (Scotland) regulations 2006 and the Companies Act 2006.

The consolidated financial statements incorporate the financial statements of the charity and of its subsidiary undertakings (the group). The results of the subsidiary undertakings have been included on a line-by-line basis in the statement of financial activities. 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 and paragraph 397 of SORP 2005 in not presenting its own statement of financial activities in these financial statements.

### Fund accounting

**Restricted funds:** The charity generates significant income that is tied to specific programmes on which volunteers are working. Contributions are made towards the charity's costs of placing and supporting the volunteers on these programmes, the costs of the local organisations within which volunteers are working and the costs of other charitable activities, including the charity's youth and national volunteering programmes. When the funds are subject to specific conditions imposed or implied by the donor, these are shown as restricted income funds.

**Designated funds:** Designated funds are amounts set aside at the discretion of the trustees (see note 14).

### Incoming resources

All incoming resources are included in the statement of financial activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of either the charity being notified of an impending distribution or the legacy being received. For restricted grants, where income is related to performance or actual expenditure of the grant, entitlement is the earlier of the charity having incurred the expenditure to which the grant relates or the grant having been received. Pro bono services and gifts in kind are valued at the estimated value to the charity.

**Contracted funds:** Contracted funds represent 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 13 and 14).

### Costs of generating funds

These include the salaries, direct expenditure and overhead costs of the employees in the UK and overseas who are engaged in fundraising activities, including negotiating grants for operational programmes and organising fundraising events.

### Resources expended and basis of allocation of costs

Resources expended are recognised in the period in which they are incurred.

Under SORP 2005, VSO has chosen to report its charitable expenditure by the four thematic areas set out in its strategic plan. The reduction from the six thematic areas used in the prior year to four in the current year merges HIV and AIDS with health and treats disability as a cross-cutting theme. Where possible, resources expended have been allocated directly to the relevant areas. Support costs, which include central functions, have been allocated to thematic areas on the basis of employee headcount.

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.

### Governance costs

Governance costs comprise the salaries, direct expenditure and overhead costs of the chief executive's office, internal audit, the costs of auditing and publishing the annual report and financial statements, and the expenses of the board of trustees.

### Grants and consortium payments (see note 3)

Under the terms of the partnership agreements that exist between the charity and the other members of the VSO Federation, the charity provides funds to federation members in order to allow them to undertake agreed activities in pursuit of VSO's aims. Also included under this heading are payments made to the consortium partners of the International Citizen Service (ICS) Programme. These grants and payments are recognised as expenditure in the year that they are due.

### **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 down the cost or valuation, less estimated residual values, of all tangible fixed assets except freehold land, over their expected useful lives. It is calculated on a straight line basis as outlined below:

#### **Assets held in the UK:**

Leasehold improvements – over the length of the lease  
Furniture, equipment, fixtures and fittings – over five years  
Computer equipment – over four years

#### **Assets held overseas:**

All categories – fully in the year of acquisition

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

### **Investments**

The only investments VSO currently holds are investments in its subsidiary companies. Investments are stated at market value, except for the 100% shareholding in VSO Trading Limited, which is stated at cost and the 100% shareholding in Beijing VSO Consulting Company Limited, which is stated at net asset value.

An impairment of the investment in Beijing VSO Consulting Company Limited has been recognised in the year, reducing the investment value to the subsidiary's net asset value. Realised gains and losses are shown in the statement of financial activities (SOFA).

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

### **Liability for returning volunteers**

Provision is made in the financial statements for the outstanding cost to the parent charity of return airfares for all volunteers in the field at the end of the financial year.

### **Foreign exchange transactions**

Foreign currency transactions are translated at the rate of exchange ruling at the dates of the transaction. Foreign currency balances, including balances in hyper-inflationary countries, are translated into sterling at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the SOFA.

### **Pension costs**

Pension contributions paid by the parent charity in respect of employees to a defined contribution scheme are charged to the SOFA when they become payable (see note 21).

### **Operating leases**

Operating lease payments are charged to the SOFA in the period in which they are incurred.

## 2. Income analysis

### a) Contributions from governmental bodies

Contributions from governmental bodies is defined as income from public institutional agencies, including those where the contribution is funded by government agencies, e.g. governments, European Union, United Nations, World Bank, etc.

	Unrestricted funds £'000	Restricted funds £'000	Total 2014 £'000	Total 2013 £'000
Department for International Development (DFID) – core strategic grant	22,000	-	22,000	26,000
Department for International Development (DFID) – other income	16,927	7,284	24,211	11,549
Australian Department for Foreign Affairs and Trade (DFAT)	-	1,802	1,802	1,103
European Union	-	544	544	517
Scottish Government	-	460	460	-
Sweden/Norad	-	930	930	741
UNICEF	-	911	911	617
Other public funding	-	1,887	1,887	2,202
	<b>38,927</b>	<b>13,818</b>	<b>52,745</b>	<b>42,729</b>

### b) Other grants and donations

Other grants and donations includes all income from private individuals, companies, private trusts and foundations, public lotteries, Comic Relief and any other income.

	Unrestricted funds £'000	Restricted funds £'000	Total 2014 £'000	Total 2013 £'000
Trusts and foundations	109	889	998	533
Other charitable organisations	767	987	1,754	1,994
Companies	268	1,615	1,883	2,054
Major donors	72	383	455	447
Individuals	4,373	73	4,446	3,789
Cuso International	-	1,582	1,582	2,656
Comic Relief	-	64	64	492
Lottery	-	187	187	147
Legacies	725	-	725	415
Gifts in kind and pro bono services	567	-	567	545
Other (sale of assets)	90	-	90	57
	<b>6,971</b>	<b>5,780</b>	<b>12,751</b>	<b>13,129</b>

### c) Activities for generating funds

	Unrestricted funds £'000	Restricted funds £'000	Total 2014 £'000	Total 2013 £'000
Events	366	14	380	459
Community projects	44	-	44	260
Volunteer fundraising	184	2,166	2,350	380
Lettings and property	295	-	295	4
	<b>889</b>	<b>2,180</b>	<b>3,069</b>	<b>1,103</b>

### 3. Charitable activities

	Grants and consortium payments £'000	Direct employee costs £'000	Other direct costs £'000	Apportioned support costs £'000	2014 Total costs £'000	2013 Total costs £'000
<b>By thematic area</b>						
Education	1,094	5,154	7,907	1,667	15,823	14,641
Health, HIV and AIDS	770	4,222	7,247	1,226	13,465	13,378
Participation and governance	372	2,178	2,791	571	5,911	6,086
Secure livelihoods	728	3,951	6,614	1,072	12,365	10,512
<b>Payments to ICS consortium partners</b>						
United Nations Association International Service	2,363	-	-	-	2,363	1,499
Progressio	1,761	-	-	-	1,761	1,310
Raleigh International	3,539	-	-	-	3,539	1,298
Restless Development	2,283	-	-	-	2,283	1,053
Skillshare International	353	-	-	-	353	501
Tearfund	1,072	-	-	-	1,072	356
Lattitude Global Volunteering	251	-	-	-	251	-
Tropical Health & Education Trust	-	-	-	-	-	(17)
<b>Total</b>	<b>14,586</b>	<b>15,506</b>	<b>24,560</b>	<b>4,536</b>	<b>59,187</b>	<b>50,617</b>

Charitable activities (excluding apportioned support costs) include pro bono services valued at £239k (2013: £411k).

#### Breakdown of apportioned support costs:

	Facilities and purchasing £'000	Human resources £'000	Finance and corporate performance £'000	Information technology £'000	Total 2014 £'000	Total 2013 £'000
Education	341	455	449	422	1,667	1,363
Health, HIV and AIDS	250	335	330	311	1,226	1,063
Participation and governance	117	156	154	144	571	505
Secure livelihoods	219	292	289	272	1,072	1,303
<b>Total apportioned support costs - charitable activities</b>	<b>927</b>	<b>1,238</b>	<b>1,222</b>	<b>1,149</b>	<b>4,536</b>	<b>4,234</b>
Support costs – fundraising	228	304	300	282	1,114	941
Support costs – governance	58	78	78	72	286	233
<b>Total apportioned support costs</b>	<b>1,213</b>	<b>1,620</b>	<b>1,600</b>	<b>1,503</b>	<b>5,936</b>	<b>5,408</b>

£590k (2013: £451k) of total apportioned support costs are covered by restricted or designated funds.

Apportioned support costs include pro bono services valued at £319k (2013: £93k).



#### 4. Governance costs

	2014 £'000	2013 £'000
Chief executive's office	560	536
Implementation of strategic change programmes	1,494	881
Board meetings	20	46
Internal and external audit	138	113
Other federation governance activities	-	44
	<b>2,212</b>	<b>1,619</b>

Governance costs include pro bono services valued at £11k (2013: £40k).

#### 5. Net incoming/(outgoing) resources

	2014 £'000	2013 £'000
Net incoming/(outgoing) resources is stated after charging:		
Depreciation:		
UK assets	395	313
Overseas assets	887	438
Auditors' remuneration	23	22
Audit of VSO Trading Limited	3	3
Loss on exchange rate movements (realised and unrealised)	984	173

The loss on exchange rate movements in the year to 31 March 2014 includes £954k (2013: £76k) of unrealised exchange rate movements which have predominately arisen from the translation of non-sterling cash balances for reporting purposes. The increase in the current year compared with 2012/13 is due to the strengthening of sterling against the majority of currencies and an increase in the non-sterling funds held by VSO, in particular the Australian Dollar and the Papua New Guinean Kina. These funds are held due to grants received in advance, with all funds intended to be spent in the currency in which they were given and, therefore, the exchange rate movements will remain translation losses only.

#### 6. Trustees' remuneration

The trustees received no remuneration during the year (2013: £nil). Expenses reimbursed to trustees or paid for on their behalf, for activities undertaken on behalf of the charity, amounted to £20k (2013: £46k), paid to eight trustees (2013: 10).

## 7. Employee emoluments

	2014 £'000	2013 £'000
Employee costs during the year:		
Wages and salaries	18,641	17,651
Social security costs	1,363	1,278
Pension costs	956	639
Temporary employees	405	239
	<b>21,365</b>	<b>19,807</b>

The 2014 wages and salaries figure includes an amount of £923k (2013: £608k) relating to severance pay. This primarily relates to reorganisation in the UK office and the planned closure of country offices in accordance with our strategic change programme.

Average full-time equivalent number of persons employed:		2014	2013
UK		261	266
Overseas	UK appointed	74	64
	Locally appointed	425	387
		<b>760</b>	<b>717</b>

The number of individual employees whose emoluments, during the financial year, fall into the following bands is:

	2014	2013
£60,001-70,000	3	3
£70,001-80,000	1	5
£80,001-90,000	4	-
£90,001-100,000	1	1
£100,001-110,000	1	-
£120,001-130,000	-	1
£140,001-150,000	1	-

Ten of these employees are members of VSO's pension scheme. The pension costs recognised on behalf of these employees for the year totalled £40k (2013: £33k). One of these employees paid into a defined contribution money purchase scheme administered by The Pensions Trust (£8k of the total) and nine employees paid into a defined contribution scheme administered by Scottish Widows (£32k of the total).

## 8. Tangible fixed assets

Group and charity	Leasehold improvements £'000	Furniture, equipment, fixtures and fittings £'000	Computer equipment £'000	Assets held overseas £'000	Total £'000
<b>Cost</b>					
At 1 April 2013	535	924	2,019	1,028	4,506
Additions	1,029	64	492	887	2,472
Disposals	(535)	(473)	(1,303)	(353)	(2,664)
<b>At 31 March 2014</b>	<b>1,029</b>	<b>515</b>	<b>1,208</b>	<b>1,562</b>	<b>4,314</b>
<b>Accumulated depreciation</b>					
At 1 April 2013	523	839	1,434	1,028	3,824
Charge for the year	99	42	254	887	1,282
Disposals	(535)	(449)	(1,272)	(353)	(2,608)
<b>At 31 March 2014</b>	<b>88</b>	<b>432</b>	<b>416</b>	<b>1,562</b>	<b>2,498</b>
<b>Net book value</b>					
At 31 March 2013	12	85	585	-	682
<b>At 31 March 2014</b>	<b>941</b>	<b>83</b>	<b>792</b>	<b>-</b>	<b>1,816</b>

## 9. Investments

Group and charity	Group 2014 £'000	Group 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
Market value at the beginning of the year	-	1,398	132	1,398
Disposals	-	(1,403)	-	(1,403)
Additions	-	-	-	132
Realised and unrealised gains/(losses)	-	5	-	5
Impairment	-	-	(89)	-
<b>Market value at 31 March</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>132</b>

Investments held by the charity at 31 March 2014 comprise £2 held in VSO Trading Limited and £43,017 (USD 68,205) held in Beijing VSO Consulting Company Limited. VSO Trading Limited is stated at cost and Beijing VSO Consulting Company Limited is stated at net asset value.

**VSO Trading Limited** – The investment in VSO Trading Limited (see note 20) is held at a cost of £2 in the books of the parent charity.

**Beijing VSO Consulting Company Limited** – The investment in Beijing VSO Consulting Company Limited (see note 20) is held at a net asset value of USD 68,205 (£43,017) in the books of the parent charity. The original cost of the investment in Beijing VSO Consulting Company Limited was USD 210,000 which has been impaired in the year to USD 68,205 based on the company's net asset value at 31 March 2014.

**10. Debtors**

	Group 2014 £'000	Group 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
Amounts due from VSO Trading Limited	-	-	439	306
Other debtors	1,236	612	1,227	611
Prepayments	576	788	576	788
Accrued income	6,674	4,320	6,674	4,320
Amounts due from federation members and strategic alliance partners	278	851	278	851
Amounts due from ICS consortium partners (working capital advances)	5,031	3,651	5,031	3,651
	<b>13,795</b>	<b>10,222</b>	<b>14,225</b>	<b>10,527</b>

All amounts above are due within one year, except the 'amounts due from ICS consortium partners' of which £2,620k is due within one year and the remainder by August 2015.

Legacy income of £7k has been accrued for at 31 March 2014. VSO has been notified of entitlement to further legacy income of approximately £60k but, as accurate estimates of the values of these legacies are not available, this income has not been recognised in the current financial year.

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

	Group 2014 £'000	Group 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
Trade creditors	998	1,143	993	1,142
Liability for volunteer allowances	33	38	33	38
Provision for returning volunteers	183	203	183	203
Provision for national employee end-of-service costs	73	97	73	97
Taxation and social security	555	1,008	554	1,007
Pension contributions payable	101	130	101	130
Other creditors	127	343	127	343
Amounts due to federation members	364	424	364	424
Accruals and deferred income	2,408	1,581	2,405	1,577
Working capital advance from DFID for ICS	4,000	-	4,000	-
	<b>8,842</b>	<b>4,967</b>	<b>8,833</b>	<b>4,961</b>

**12. Creditors: amounts falling due after one year**

	Group and Charity	
	2014 £'000	2013 £'000
Provision for returning volunteers	74	113
Provision for national employee end-of-service costs	218	292
Working capital advance from DFID for ICS	3,500	7,100
	<b>3,792</b>	<b>7,505</b>

No interest is incurred on any of the above creditors.



### 13. Restricted funds – group and charity

Movement on restricted funds	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Closing balance £'000
<b>Project name</b>				
Making Markets Work for the Poor – Accenture Foundation	329	240	421	149
Regional AIDS Initiative for Southern Africa	186	1,399	552	1,033
VSO PAC/DAC Capacity Building Project – Papua New Guinea	48	1,151	837	362
Building capacity of all health service providers in Vanuatu	281	323	277	327
Inclusive education quality research programme	-	228	72	156
Enterprise based development research	-	172	45	127
Addressing HIV and AIDS in the Beira Corridor in Mozambique (ABeCo)	39	177	148	68
Enhancing employability through vocational training in Mtwara, Tanzania – BG International Limited	82	236	318	-
Rural Enterprises Support Project – Ghana	661	67	333	395
Canadian Programme Partnership Agreement	4	1,450	1,455	-
Tackling Education Needs Inclusively (TENI) – Ghana	621	38	373	287
Cuso International Innovation Fund	562	(22)	376	163
Nothing About us Without us – addressing exclusion of disabled people – India	-	469	469	-
VSO Programme in South Sudan	73	1,776	1,809	39
Capacity building and support provision to vocational training institutions and functional youth literacy programme in North Uganda	-	1,966	1,966	-
Aid alignment and communication capacity	-	30	30	-
English language teacher training	1	444	444	-
Education funding for Rwanda	-	1,109	1,109	-
DFID Constitution (Oxfam)	-	117	117	-
Enhancing coordination of community based volunteers	-	148	148	-
Sisters for Sisters Education in Nepal	-	216	216	-
EU Aid Volunteers Building in Resilience	-	281	87	193
Family Support Centres Capacity Building Project in PNG	-	186	33	153
Capacity building towards the realisation of HSDP IV of SNNPR programme	82	305	181	206
Evaluating and Improving Primary Education	-	240	240	-
Education Strengthening in Papua New Guinea – JTA International	38	308	312	35
Million Hours Fund	240	148	167	221
Every Child Reading – Papua New Guinea – Department of Education	-	224	24	200
Voices for Development – Restless Development	254	208	176	286
Coaching on the quality of care services and health management and administration at SFRH, Tanzania – SDC	263	124	278	109
Health Partnership Scheme through THET – Malawi	137	635	445	327
Teacher Education Papua New Guinea	-	165	153	12
Care and Education for Migrant Children – Thailand – UBS Optimus Foundation	187	153	129	211
Ntcheu Integrated Maternal Health Project (NIMHP)	90	132	153	69
Waters: Towards equitable resource strategies	23	204	225	2
Capacity building, training health workers	-	439	421	18
Other specific programme funds*	1,699	6,296	7,056	939
	<b>5,900</b>	<b>21,782</b>	<b>21,595</b>	<b>6,087</b>

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

\* Programmes individually listed above either have income or expenditure over £150k or have been detailed at the specific request of the donor. All other amounts are included in 'Other specific programme funds' which is made up of approximately 150 individual projects.

<b>Contracted funds – group and charity</b>	<b>Opening balance £'000</b>	<b>Incoming resources £'000</b>	<b>Resources expended £'000</b>	<b>Closing balance £'000</b>
<b>Movement on contracts</b>				
DFID – International Citizen Service (ICS)	67	16,927	15,251	1,743

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.

#### 14. Unrestricted funds – group and charity

<b>Movement on unrestricted funds</b>	<b>General fund £'000</b>	<b>Designated fund – ICS £'000</b>	<b>Designated fund – fixed assets £'000</b>	<b>Total £'000</b>
At 1 April 2013	8,026	67	682	8,775
Surplus/(deficit) for the year	(1,377)	1,676	-	299
Transfers between funds	(1,134)	-	1,134	-
At 31 March 2014	5,515	1,743	1,816	9,074

#### Designated funds

##### ICS fund

The ICS fund represents a surplus of income over expenditure relating to the ICS contract, this has been designated by the trustees to be held for future use on the ICS project until such time as the project is completed.

##### 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.

#### 15. Analysis of net assets between funds

<b>Group</b>	<b>General fund £'000</b>	<b>ICS fund £'000</b>	<b>Fixed asset fund £'000</b>	<b>Restricted funds £'000</b>	<b>Total funds £'000</b>
<b>Fund balances at 31 March 2014 are represented by:</b>					
Tangible fixed assets	-	-	1,816	-	1,816
Investments	-	-	-	-	-
Current assets	18,149	1,743	-	6,087	25,979
Current liabilities	(8,842)	-	-	-	(8,842)
Long-term liabilities	(3,792)	-	-	-	(3,792)
<b>Total net assets</b>	<b>5,515</b>	<b>1,743</b>	<b>1,816</b>	<b>6,087</b>	<b>15,161</b>

#### 16. Commitments

As at 31 March 2014, the parent charity was committed to making the following non-cancellable payments during the next financial year in respect of operating leases expiring:

	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>In the UK:</b>		
Within five years	1,987	493
More than five years	745	-
<b>Overseas:</b>		
Within five years	767	1,065
	<b>3,499</b>	<b>1,558</b>

## 17. Reconciliation of net incoming resources to net cash (outflow)/inflow from operating activities

Group	2014 £'000	2013 £'000
Net incoming/(outgoing) resources	486	(2,339)
Depreciation	1,282	751
Loss on fixed asset disposals	56	-
Investment income	(147)	(119)
Decrease/(increase) in debtors	(3,573)	(5,202)
(Decrease)/increase in creditors falling due within one year	3,875	2,446
(Decrease)/increase in creditors falling due after more than one year	(3,713)	6,926
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(1,734)</b>	<b>2,463</b>

## 18. Reconciliation of net cash inflow to movement in net funds

	2014 £'000
Decrease in cash in the year	(522)
Decrease in short-term deposits in the year	(3,536)
Movement in net funds in the year	(4,059)
Opening net funds	16,243
<b>Closing net funds</b>	<b>12,184</b>

## 19. Analysis of net funds

	At 1 April 2013 £'000	Cash flow £'000	At 31 March 2014 £'000
Cash at bank and in hand	11,706	(522)	11,184
Short-term deposits	4,537	(3,536)	1,000
<b>Total</b>	<b>16,243</b>	<b>(4,059)</b>	<b>12,184</b>

## 20. Subsidiary companies

	2014 £	2013 £
<b>Shares in subsidiary companies</b>		
VSO Trading Limited	2	2
Beijing VSO Consulting Company Limited	43,017	132,439

### VSO Trading Limited

VSO Trading Limited is wholly owned by Voluntary Service Overseas and is registered in England and Wales. As at 31 March 2014, the investment of Voluntary Service Overseas in VSO Trading Limited was £2 (2013: £2).

The principal activity of the subsidiary is to organise events for the purpose of raising funds for the parent charity. Profits made by the subsidiary are transferred by Gift Aid to the parent charity.

A summary of the results of VSO Trading Limited for the year is shown below. Full accounts will be filed with the Registrar of Companies.

	2014 £'000	2013 £'000
<b>Profit and loss account</b>		
Turnover	247	442
	247	442
Total costs	(145)	(395)
Net profit	102	47
Gift Aid payable to Voluntary Services Overseas	(102)	(47)
Retained profit for the year	-	-

### Balance sheet

Current assets	448	312
Creditors: amounts falling due within one year	(448)	(312)
Net assets	-	-

The results of the company are stated after charging £53k (2013: £234k) of expenditure recharged from VSO.



**Beijing VSO Consulting Company Limited**

Beijing VSO Consulting Company Limited is a wholly foreign-owned enterprise registered in China. It was registered on 20 June 2012. Voluntary Service Overseas is the sole shareholder of the company. The original registered capital of the company was USD 210,000. The value of the investment by Voluntary Service Overseas in Beijing VSO Consulting Company Limited has been impaired in the year to USD 68,205 (£43,017) based on the company’s net asset value as at 31 March 2014.

The objective of the company is to contribute to the development of China’s markets and to strengthen the economic cooperation between China and other countries and to enable Voluntary Service Overseas (as the sole shareholder) to achieve satisfactory economic benefits. They do this by the provision of consultancy, training and market promotion services.

Profits made by the subsidiary shall be distributed to Voluntary Service Overseas at the discretion of the Board of Directors and in accordance with the requirements of the State Administration of Foreign Exchange of the People’s Republic of China.

A summary of the results of Beijing VSO Consulting Company Limited for the year to 31 March is shown below. In accordance with Chinese legislation the financial year end of the subsidiary is 31 December. Full accounts are available on request from Voluntary Service Overseas.

	2014 £'000	2013 £'000
<b>Profit and loss account</b>		
Turnover	27	7
Other income	1	-
	28	7
Total costs after exchange adjustment	(117)	(7)
Net profit/(loss)	(89)	-
Retained profit/(loss) for the year	(89)	-
<b>Balance sheet</b>		
Current assets	43	132
Creditors	-	-
Net assets	43	132
Issued share capital	132	132
Retained earnings	(89)	-
Equity	43	132

## 21. Pension costs

The charity contributes to two main schemes and to other contribution schemes for certain employees.

In 2013/14, the total costs of these contributions was £394k (2013: £399k).

The first main scheme available to all UK employees is with Scottish Widows. This defined contribution scheme began in October 2009 and since that date this has been the primary scheme for the charity's employees. Since February 2014, in line with legislation, we have been operating an auto-enrolment scheme for all eligible UK employees with the Scottish Widows.

The second main scheme is The Pension Trust's Growth Plan. This scheme has been closed to new entrants since October 2009.

### The Pensions Trust Growth Plan Series 1, 2, 3 – Disclosure note

- a. Voluntary Service Overseas participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the State scheme. The Plan is a multi-employer pension plan.
- b. Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.
- c. The rules of the Plan give the Trustee 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.
- d. If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.
- e. The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.
- f. Voluntary Service Overseas paid contributions at the rate of 8.5% during the accounting period. Members paid contributions at the rate of 5% during the accounting period.
- g. As at 31 March 2014 there were 46 active members of the Plan employed by Voluntary Service Overseas. Voluntary Service Overseas has closed the Plan to new entrants.
- h. It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.
- i. The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.
- j. If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.
- k. Due to this shortfall, Voluntary Service Overseas is required to make additional contributions in order to cover this. The Pensions Trust has a plan in place to recover these deficits over the next 10 years, with a review of the amounts payable by each employer every three years. The initial calculation of VSO's additional contributions is £371k, which was paid in 2013/14; this will be increased by 3% per annum under the current recovery plan.
- l. When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.
- m. Owing to this situation, two calculations, as estimated contingent liabilities as at 31 March 2014, have been provided to us by The Pension Trust, as at 30 September 2013, namely:
  - The cost of withdrawal if Series 3 liabilities are included in the calculation – £5.5m (2013: £7.0m)
  - The cost of withdrawal if Series 3 liabilities are excluded from the calculation – £6.9m (2013: £8.7m).
- n. If Voluntary Service Overseas withdraws from the Growth Plan prior to the implementation of the updated regulations from The Pensions Regulator, the debt will be calculated on both bases and The Pensions Trust would request payment of the higher amount with any adjustment being made when the regulations are implemented. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up. Although closed to new entrants, Voluntary Service Overseas currently has no intention to withdraw from the scheme.
- o. The new Charity SORP, due for release in July 2014, will be the basis of preparation for VSO's 2015/16 financial statements. It is expected that the new SORP will reflect FRS 102 in relation to pension liabilities but, until the new SORP is finalised, it is not possible to undertake a detailed review of the impact on VSO's financial statements. However, it is expected that VSO will be required to recognise, in full, a liability for the repayment plan agreed per point k above. Based on the existing 10-year repayment plan, if this requirement were in force at 31 March 2014, VSO would be required to recognise a liability of approximately £3.3m.

## 22. Financial risk management

VSO is exposed to exchange rate risk on country office expenditure incurred in currencies other than the currency of the income received. When appropriate, VSO hedges against exchange rate fluctuations to protect it against the risk that there could be a significant change in the funds available for programme expenditure.

Appropriate action is taken to mitigate known foreign exchange risk. VSO does not enter into foreign exchange contracts for speculative reasons.

At 31 March 2014 open forward contracts had settlement dates of up to 11 months. At 31 March 2013 there were no open forward contracts. The amounts purchased under these contracts were:

	2014 £	2013 £
Purchase of:		
United States Dollar	640	-
Ugandan Shilling	3,465	-
<b>Total</b>	<b>4,105</b>	<b>-</b>

Valuing these contracts using appropriate forward rates of exchange at the balance sheet date showed a net unrealised gain of £37k.

## 23. Grants and contracts

	2014 £'000
<b>Australian Department for Foreign Affairs and Trade (DFAT)</b>	
VSO PAC/DAC Capacity Building Project – Papua New Guinea	1,151
Building Capacity of all Health Service Providers in Vanuatu	323
Sustainable protection of marginalized youth and children against trafficking and the worst forms of labour	64
Improving child nutrition in Mondulkiri	37
Inclusive Education Quality Research Program	228
<b>British Council</b>	
Myanmar Ammatae Participation and Governance	64
Other	3
<b>Department for International Development (DFID)</b>	
Core grant under strategic partnership agreement	22,000
International Citizen Service Contract	16,927
Nothing About us Without us – addressing exclusion of disabled people – India	469
VSO Programme South Sudan	1,776
Youth Development Programme–Capacity Building and Support Provision to Vocational Training Institutions and Functional Youth Literacy Programme in Northern Uganda	1,966
Accountable Grant Arrangement for strengthening Aid Alignment and Communication Capacity within the School Sector Reform Programme in Nepal	30
Education Quality Improvement Project Tanzania ELT	444
Achieving Learning Outcomes for All (ALOA) – Rwanda	282
Improved Quality of Services Rwanda	1,109
Health and Social Well Being Tanzania	117
Enhancing Coordination of Community Based Volunteering Zambia	148
Sisters for Sisters Education in Nepal	216
The Business of Girls' Education	95
Health Partnership Scheme through THET – Malawi	635
<b>European Union</b>	
Promoting quality and inclusive education for out of reach children in Nepal	102
Improving Health through Community Volunteering and Empowerment	40
EU Aid Volunteers Building in Resilience	281
Teaching to Learn in Nepal	120
Other	1
<b>Foreign and Commonwealth Office</b>	
Cross border trade development between Tajikistan and Afghanistan	101
<b>International Organisation for Migration</b>	
Regional AIDS Initiative for Southern Africa	429



	<b>2014 £'000</b>
<b>National Department of Education Papua New Guinea</b>	
Every Child Reading	224
Other	90
<b>Scottish Government</b>	
Ntcheu Integrated Maternal Health Project	132
Water Futures: Towards Equitable Resource Strategies (WATERS)	204
Strengthening Community Action for Better Health and Nutrition	124
<b>Sweden/Norad</b>	
Regional AIDS Initiative for Southern Africa	930
<b>UNICEF</b>	
Inclusive education through basic requirements minimum standards (BRMS)	137
Capacity building towards improving child and maternal health – Ethiopia	99
Capacity building in-service training all health workers	439
Strengthening education management in 10 provinces in Cambodia	82
Creating child friendly schools 2013-15	72
Other	81
<b>USAID</b>	
Literacy, Language and Learning Initiative – Rwanda	162
<b>World Bank</b>	
Improving Agricultural Productivity and Grower Associations Gambia	85
<b>Other income from governmental bodies</b>	<b>728</b>
<b>Total income from governmental bodies</b>	<b>52,745</b>
<b>Accenture Foundation</b>	
Secure Livelihoods Programme – Making Markets Work for the Poor	240
Other	6
<b>Adam Smith International</b>	
Training and capacity building in WASH, Sierra Leone	44
<b>Barclays</b>	
Enterprise Based Development Research	172

	<b>2014</b> <b>£'000</b>
<b>BG Group</b>	
Enhancing employability through vocational training in Lindi, Tanzania	119
Enhancing employability through vocational training in Mtwara, Tanzania	236
<b>Big Lottery Fund</b>	
Addressing HIV and AIDS in the Beira Corridor in Mozambique (ABeCo)	177
<b>Comic Relief</b>	
Tackling Education Needs Inclusively (TENI) – Ghana	38
Volunteers; Strengthening community-based responses to HIV and AIDS in Zimbabwe	38
<b>Cuso International</b>	
Cuso International Canadian Programme Partnership Agreement	1,450
B-Adapt (Cameroon)	90
Other specific programme funding	39
<b>Equitable Charitable Trust</b>	
Basic education language, Cambodia	30
<b>Handicap International</b>	
Inclusive futures, Rwanda	45
<b>International Fund for Agricultural Development (IFAD)</b>	
Agricultural growth through technology and access to financial services, Sierra Leone	96
<b>JTA International Pty Limited</b>	
Capacity Building – Phase III in Papua New Guinea	308
<b>Mondelez International</b>	
Cocoa-Life Project – Ghana	147
<b>New Britain Palm Oil Foundation</b>	
New Britain Palm Oil Strategy Development	79
<b>Randstad</b>	
VSO Randstad Partnership	106
<b>Restless Development</b>	
Voices for Development	208
<b>Save the Children</b>	
Emergent literacy and maths initiative, Rwanda	54

	<b>2014 £'000</b>
<b>Stanley Thomas Johnson Foundation</b>	
Peace forums in Pakistan	50
<b>UBS Optimus Foundation</b>	
Care and Education for Migrant Children – Thailand	153
Other	24
<b>Other grants and donations income, not individually listed above</b>	<b>8,800</b>
<b>Total income from other grants and donations</b>	<b>12,751</b>

# Thank you

VSO would like to take this opportunity to recognise the significant contribution of our volunteers. They very generously give up their time and salaries in order to share their expertise in our programmes around the world. Without them, our work would not be possible. Many volunteers also continue to give up their time to help VSO after they've returned home, by raising funds and promoting our work.

We would like to thank Cuso International, for contributing volunteers, funds, and programme expertise in support of our work in Burkina Faso, Cambodia, Cameroon, Ethiopia, Ghana, Indonesia, Mozambique, Nepal, Nigeria, Rwanda and Tanzania. The strategic alliance between VSO and Cuso International ended in March 2014.

We have also received a huge amount of pro bono support and gifts in kind (see note 2, page 51) during the year from corporate donors including Accenture Development Partners, Google, Microsoft, Pfizer and many others. This type of support is invaluable to enable us to achieve our goals.

We would also like to thank all our partners and generous donors, including those not individually listed below, for their continued vital support of our work.

Accenture  
 Adam Smith International  
 Agnes McIntyre  
 AS Hornby Educational Trust  
 Australian Department of Foreign Affairs and Trade  
 Barclays  
 BG Group  
 Big Lottery Fund  
 Book Aid International  
 British Embassy Dushanbe  
 Comic Relief  
 David Dinkin and Gill Hagon  
 Dutch Ministry of Foreign Affairs  
 European Union  
 Foreign & Commonwealth Office  
 Greg Dyke and Sue Howes  
 IOM  
 Irish Aid  
 John and Kate Bason  
 John Mclean  
 Maurice and Judy Watkins  
 Mondelēz International  
 New Britain Palm Oil Foundation  
 Patrick Kehoe  
 Peter and Lindy Estlin

PRAN Agro Business Ltd  
 Randstad  
 Restless Development  
 Stanley Thomas Johnson Foundation  
 Stavros Niarchos Foundation  
 Sweden  
 Swiss Agency for Development and Cooperation (SDC)  
 The Equitable Charitable Trust  
 The Schroder Foundation  
 The Scottish Government  
 The Zochonis Charitable Trust  
 Tropical Health and Education Trust  
 UBS  
 UBS Optimus Foundation  
 UK Government (Department for International Development)  
 UNEP  
 UNESCO  
 UNFPA  
 UNICEF  
 University Research Co., LLC  
 UNW  
 USAID  
 Vodacom  
 World Bank







Bharatkumari Sijapati (middle) is an auxiliary nurse and midwife in Nepal. She worked alongside international volunteer Cath Nixon (right) who introduced simple low cost resources to share vital public health information for women.



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