

Annual report and accounts

2020/21





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Foreword

The past year has been a year like no other for VSO. When the severity of COVID-19 became apparent, we knew that the most vulnerable would be most at risk.

In spite of the challenges of travel and the increased difficulty of working in communities, we were determined we would continue supporting the most vulnerable through this crisis. Thanks to the strength of VSO's blended volunteer model which draws on the commitment, resilience and adaptability of community, national and international volunteers, we could step up in the hour of need. In just 10 days, we pivoted 80% of VSO programming to respond to the crisis. By listening to our primary actors, we responded to their most urgent needs, whilst at the same time ensuring continuity of education, livelihoods and health.

Our ability to act quickly was thanks in great part to the adaptability and responsiveness of the UK government funded Volunteering for Development (V4D) grant. This allowed for fast decisions in a rapidly changing situation. The V4D grant invests in building long term development through its focus on resilience, inclusion, and accountability. The enormous benefits of this approach have been clear over the last year with community and national volunteers continuing to deliver to those most vulnerable with the support of international volunteers working from their home countries.

In just 10 days, we pivoted 80% of VSO programming to respond to the crisis.

Here volunteers Uzoamaka Diyoke and Mary Watkins explain how they have been able to continue working together on programmes like Education for All, which is helping to improve early childhood learning around the world.

Mary Watkins:

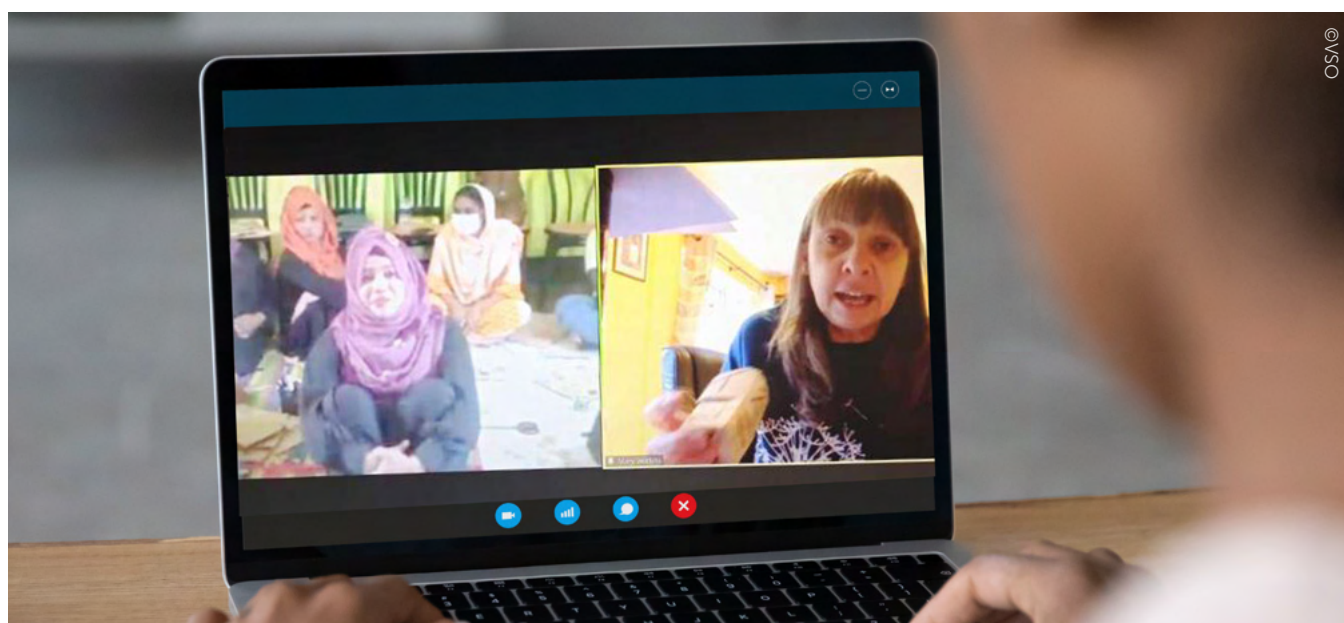
"Every child deserves a good quality early years education. It's the building block of opportunity but denied to so many children. I've had a long career in education in the UK but I still have a lot to offer. That urge to contribute took me to Rwanda where I volunteered in a primary school for two years. Every day I could see the motivation of my Rwandan colleagues. They wanted their students to learn but many of the teaching resources I'd taken for granted in the UK were simply unavailable. So together, we decided to create our own from materials – like scrap cardboard and bottle-tops – easily found in the community. From there, I went on to develop a guide for teachers on how to do this.

This year, VSO asked me if I would help train trainers so more teachers learn how to create teaching materials and deliver high-quality lessons where resources are scarce. Because of travel

restrictions, I did this by video, training teachers and volunteer educators in Myanmar, Bangladesh, Nigeria and Ethiopia, all from my living room in Wales. It is so satisfying to know that thanks to my experience and training, more teachers can provide high-quality, early years teaching.

VSO is an incredibly cost-effective way of harnessing the skills of volunteers to make a difference at scale. This year, VSO has shown how it can adapt its volunteering model to continue to support communities and provide continuity of education, around the world.

Every child deserves a good quality early years education. It's the building block of opportunity.



Mary Watkins doing a video training for training volunteers in Bangladesh



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VSO national volunteer Uzoamaka Diyoke teaching children sign

Uzoamaka Diyoke:

"For a long time, numeracy has been a difficult subject to teach in Nigerian primary schools. There's a lack of teaching materials, poor teaching methods and an over-reliance on rote learning. Yet good numeracy is so important to education and for Nigeria's overall development. The situation for deaf children is particularly tough because of a lack of skills in teaching children with special needs.

I am a sign language trainer in Nigeria and for the last few years I've been a national volunteer educator with VSO. For much of that time, I've been supporting special needs education – training teachers in sign language so that deaf children can be taught in regular schools. Before the pandemic, I would travel around and go into communities. But this year has been different. I've been developing training videos that we upload onto a VSO app. Teachers can easily access these through their phones without the need for us to visit.

**I've seen with my own eyes;
this is the difference that VSO
volunteers make.**

Thanks to VSO, teachers at the schools where I volunteer received 'Numeracy for All' training, delivered by Mary Watkins via video. We learnt about more interactive teaching methods, moving away from rote learning to help our pupils really understand the building blocks of numeracy. We learnt how to create teaching resources from a whole range of waste materials such as bottle tops, toilet roll tubes, used toothpaste tubes, and empty tins and jars. As a result, we've improved teaching methods and teaching resources in more than sixty schools across Enugu State and we're having far higher learning outcomes in numeracy. I've seen with my own eyes; this is the difference that VSO volunteers make."



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Our year in numbers



3,403 people volunteered with VSO

VSO worked with communities in 29 countries, nine of which VSO were working in for the first time.

12.9 million

people were reached over 7.65 million indirectly and nearly 5.25 million directly including:



Over

2.8million

through our education projects



Almost

30,000

through our resilient livelihoods programme



Nearly

1.95million

through our wider work on resilience, inclusion and

social accountability. To help people prepare for disaster, build peaceful communities, tackle gender-based violence, and create inclusive societies for people with disabilities.



Nearly

435,000

through our health projects





Taking volunteering for development to scale

In 2015, the world committed to meet the UN Sustainable Development Goals (SDGs) by 2030. In its commitment, the United Nations recognised the power of volunteering. The world will fail to meet the Goals unless we can engage citizens across the world to support, demand, oversee and deliver them.

At VSO, we committed to play our part in delivering the Goals. But given the scale of the challenge, we know that playing our part means being more ambitious. It means challenging ourselves to make a bigger difference. We intend to meet that challenge by taking Volunteering for Development (V4D) to scale.

Our ambition is born out of evidence that volunteering is a highly effective approach to create a fair world for everyone. Done right, the Volunteering for Development model creates a space for every person to play their role in making change happen. It helps drive the change needed to create a world that is equitable and just in its opportunities and in the rights and justice it offers for all.

In 2019, we set ourselves the objective of reaching an additional 5 million people by 2022. This year we have already exceeded that number. We continue to develop the quality of our programming through new design standards. We invested in new capability in our practice areas of health, education, and livelihoods, allowing for better strategic oversight and accelerated growth in our work.

Innovation at VSO is now about scaling our work. It means doing what we know works well in many more places. It means sharing what we know to help others grow their impact.

To support our move to scale, we strengthened our capacity to deliver, creating a Global Programme Implementation Team to ensure quality and consistency. Focusing our technical, programme and business support teams on implementation enables clear prioritisation of work and demonstrates value for money for those who support us financially.

These adaptations mean that we're in a stronger position than ever to deliver greater impact and create a fair world for everyone.

This year we overachieved our target, reaching 12.9m people directly and indirectly.

Recovering childhood, maintaining learning: Education in emergencies



Millions of children around the world are forced from their homes by conflict and natural disaster. Many of these children do not automatically have the right to state education in the place they find themselves. The trauma they experience by being displaced can have long term effects on their development.

VSO has developed an education in emergencies programme that provides quality early childhood care and education to children aged 3 to 14 living in such circumstances in Kenya, Uganda, Ethiopia, and Bangladesh. We combine volunteers who have teaching expertise with those who have community knowledge to provide support, helping children overcome the stress of their experience and environment. Creating safe spaces for learning and play provides a sense of normality, allowing children to regain their childhood.

18-year-old Moreom lives in a shelter made of plastic and bamboo, without running water or electricity. She and her Rohingya community were subject to violent attacks from the army and were forced to leave their home in Myanmar. They found shelter in a refugee camp in Bangladesh, but the camp is overcrowded and at risk of landslides, fires, and cyclones. Life there is difficult and Moreom misses

freedoms of her old life in Myanmar, where she hopes to return one day.

Moreom was inspired to educate children in her camp. She was accepted to train as a VSO 'Big Sister', joining VSO's network of volunteer educators and caregivers in the camp.



One of Moreom's students is four-year-old Monir. His mother, Rashida, was pregnant with him when the army killed her daughter and stole the family's valuables. Rashida fled with her four other children, leaving behind their farm, cattle, and all other possessions. Monir's father was separated from them when he fled to Malaysia before Monir was born. They do not know if he is alive.

Despite this, Monir is happy. He loves playing with friends in camp and started going to VSO's home-based early childhood learning centre aged 2. He learnt to name colours, fruits, and animals, write his name, as well as the Burmese and English alphabets. He now helps Rashida write her own name.

Moreom's VSO training taught her that affection and support are important for children's learning. She explains this to Rashida and other parents, encouraging them to support rather than punish children.

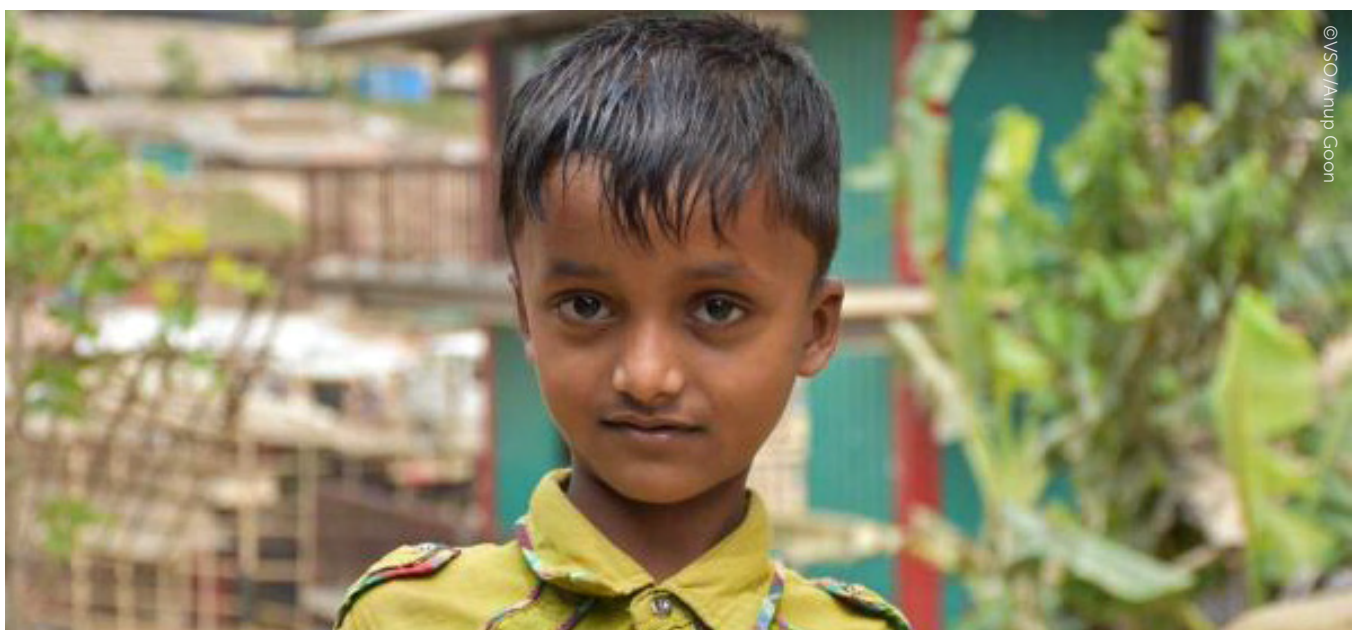
When the camp went into COVID-19 lockdown, Moreom and Rashida worried about Monir's learning. So Moreom continued visiting Monir to help continue his education and provide support. VSO provided materials such as books and colouring pencils so he can learn at home. Monir misses playing outside but Moreom's regular visits make him happy.

Rashida and Moreom know that education is key to the Rohingya's next generation if they are



to save their community. They hope Monir can continue his education and realise his dream of becoming a teacher.

Education in emergencies work is also rolled out to host communities, meaning that all children benefit from VSO expertise. Working with host communities creates acceptance of displaced people. VSO-trained teachers also identify and work with children with disabilities, referring them for further support where necessary. As migration and displacement increases, VSO will continue to provide education to children, wherever needed. Many teachers in Rwanda lack adequate training. National volunteers, mentored by international volunteer teaching advisers, are improving the skills of local teachers.



Defeating Polio in Africa: Delivering in new places



Last year, as the world dealt with a new deadly virus, the 100-year fight against wild polio reached a milestone as Nigeria became the last African country to be declared free of the disease. Yet the threat of rare “vaccine-derived” polio remains. To reduce that risk, VSO has been working with the Bill & Melinda Gates Foundation to establish Emergency Operations Centres (EOCs) that coordinate and manage national disease response.

VSO established polio coordination centres in nine countries across east and west Africa. These bring together health experts and other national leaders to analyse data and make quick decisions to tackle disease outbreaks. Community volunteers play a critical role, engaging with trusted leaders and polio survivors to challenge mistrust around vaccination and encourage communities to adopt new behaviours to stop the spread of the disease. Dr Philip Goodwin, VSO’s Chief Executive Officer, notes the urgency of this work; “This could not have come at a more critical moment. This year Liberia recorded an outbreak of circulating vaccine-derived polio. With the effective infrastructure now in place, the Government of Liberia is equipped to conduct a high-quality outbreak response.”

“2020 has highlighted the fragility of health systems which were already very weak,” adds project lead, Sara Jacobson. “EOCs have long-term benefits beyond polio, as volunteers are trained to build the national capacity to fight future outbreaks.” Along with the physical infrastructure, EOCs will increase partnerships and coordination with the support of technical working groups, led by government experts, to ensure decisions are based on real-time, high-quality data.

The \$6.3 million grant from the Bill and Melinda Gates Foundation that has funded the multi-country polio project represents another milestone for VSO. We implemented this project across several countries in francophone Africa, where VSO hasn’t previously worked. Despite the difficulties caused by COVID-19 travel restrictions, we showed our ability to be agile and respond to where needs are greatest. We demonstrated that we’re able to deliver in new contexts without creating new and expensive country infrastructure. The experience gained from this vital work against polio will allow us to scale and grow our work to reach the poorest and most marginalised, wherever they are.

Adapting to reach new customers

As COVID-19 took hold in Tanzania, 43-year-old Sada Nalinga felt conflicted about her soap making business. Her liquid soap had been regarded as a luxury, but it was now an essential item. Sada saw an opportunity to expand her business, but travel restrictions prevented her from moving around her region to engage potential customers.

Sada knew she had skills to adapt because she had taken part in VSO's Tanzania Local Enterprise Development project. This promotes sustainable economic growth by supporting women, young people, and people with disabilities to grow businesses and create jobs. Since 2015, it has provided guidance to 5,000 small businesses and created nearly 3,000 jobs.

Advice Sada received from volunteers became critical. 29-year-old business expert and volunteer Grace Kajange explains, "It's sometimes difficult to change the way people run their business", especially since "some men do not allow their wives to do business and believe that women are supposed to look after the family."

Grace realised that COVID-19 required her to adapt the training; "There is a real need to help our entrepreneurs to adapt to the situation right now, for example using digital marketing and online social networks to promote their businesses." Adaptation was vital because economic factors including lower incomes, price increases due to scarcity and decreased ability to save, affected businesses. Displaying the positivity and resilience she encourages in participants, Grace adds "In every challenge there is an opportunity."

After attending trainings, Sada formally registered and licensed her business. Registration meant her product acquired Tanzania Bureau of Standards certification and a barcode that allowed her to supply supermarkets. Her digital marketing training meant she found new customers online. Annual production grew from 240 to 1,200 litres of soap. Sada now invests in the business and support her husband and child.

"I get orders from various companies such as lodges, restaurants, pharmacies, nursing colleges and schools to make liquid soap for them. I feel good that the demand is high, and I can now sell more



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due to the high demand in the community". Sada now supports others, "I have conducted trainings on soap-making to various Small and Medium Enterprises as a way of supporting my community in the fight against COVID-19."

By working with VSO, Sada's experience shows how businesses can adapt and support their communities during crisis. She demonstrates that scaling and growing means embedding local knowledge and expertise.



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Mobilising Youth: ICS - 40,000 active young citizens delivering change

This year saw the closure of the International Citizen Service (ICS) programme. Led by VSO, ICS was the UK government's flagship international youth volunteering programme. From 2011 to 2020, over 40,000 young people - half from the UK and half from developing countries - volunteered to deliver the Sustainable Development Goals for communities across Africa and Asia.

ICS made a real impact on poor and marginalised communities, with over 90% of project partners saying they were better able to bring about change after working with young ICS volunteers. It also improved the skills, knowledge, and personal development of each youth volunteer. The programme fostered active citizenship, not just in the UK but around the world, reaching young people across all demographics. Inclusion sat at the heart of the programme with, for example, 37% of UK volunteers coming from the least advantaged social backgrounds, accessing experiences that otherwise would have remained out of reach.

Independent research demonstrated the value of ICS to the UK economy in particular, finding that for every £1 spent on ICS, £4.64 was generated in social value through the skills developed by young volunteers, including increased resilience, problem-solving abilities, and intercultural communication skills. It also showed that volunteers ended placements with a greater understanding

International Citizen Service Impact:



40,167
volunteers



19,203
in country
volunteers



20,964
UK volunteers



32
countries



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of poverty, inequality and development, and the skills and capabilities young people can offer in tackling these issues.

After their placements, UK volunteers delivered an 'Action at Home' project, taking part in social action or further volunteering back in their home community. For many, 'Action at Home' was the start of their active citizenship journey, with many involving themselves in the COVID-19 pandemic response.

When lockdown began in the UK in March 2020, former ICS volunteer Molly Bufton Spear, 22, thought about the impact of COVID-19 on her community. Inspired by her placement - a youth employment project in Zanzibar, Tanzania in 2019 - she set up a food delivery service, Molly's Meals, to deliver food to the most vulnerable during the pandemic in Kenilworth, Warwickshire. For her efforts, she won a Prime Minister's Point of Light Award. Elsewhere, former ICS volunteers mobilised their youth networks to tackle disinformation about COVID-19 in

Zimbabwe. The legacy of ICS will continue to be felt. Many volunteers will deliver change in their communities and around the world for years to come. Those skills are needed now more than ever before.



Former ICS volunteer Molly Bufton Spear with her Points of Light Award

Our vision

**A fair
world for
everyone**

Our purpose

**Creating lasting change
through volunteering**

Collaboration

- Empower poor and marginalised people to take charge of their own development
- Share skills and knowledge to create long lasting, sustainable change
- Build collaborative partnerships that promote innovation, growth and impact

Knowledge

- Lead volunteering for development, setting the standard for ourselves and others
- Use evidence and insight to guide our actions
- Recruit the right people and work where we have the greatest impact

Inclusion

- Stand beside and advocate for those who have been denied choice and opportunity
- Promote diversity and equality throughout our work
- Encourage different, inquisitive perspectives

Integrity

- Commit to safeguarding and take a zero-tolerance approach to abuse and harm
- Treat others with respect, as equals
- Be open, transparent and accountable in everything we do

Putting people at the centre of their own development

VSO's volunteering for development model provides opportunity for everybody to bring about lasting change.

It does that by focusing on those left out by society – those living in extreme poverty, or with disability and illness, those who face discrimination for their gender, sexuality or social status.

These are not passive “beneficiaries” of aid. They are the “primary actors” at the heart of our work. It is from their viewpoint that we seek to define the issues, opportunities and solutions that deliver sustainable change.

What do we mean by primary actors?

Primary actors are the people and communities that we work with. They are the ones engaging in projects, helping us understand the community's needs, and working with volunteers to build a fairer world. Our responses are driven by demand from the poorest and most marginalised. We always work with local partners who can guide the most effective support.

Why do we use that term?

'Primary', because they are principal contributors to VSO's work and they lead the design and delivery of programmes. 'Actors', because they are active agents. VSO doesn't do development to communities, it works with them.



All our programmes address the root causes of marginalisation by focusing on three areas – what we call “core approaches” – that reliably tackle the structures, systems and conditions that make people vulnerable.

These core approaches are fundamental to our Volunteering for Development approach, ensuring the people we work with have the confidence and capacity to bring about change in their own lives.

Social inclusion and gender

Millions of people face discrimination because of their gender, age, disability, cultural background, sexual orientation. VSO aims to dismantle the causes behind exclusion in all its forms.

Resilience

Disasters, disease outbreaks and other shocks and stresses can have a devastating effect on communities. Those who are already vulnerable are most at risk. Our goal is to help communities and societies prepare and adapt to disasters, as well as reducing their vulnerability to shocks and stresses.

Social accountability

Many people around the world are denied basic rights that are guaranteed in law. Corruption, fear, and unequal power dynamics stop people from speaking up and demanding what they're entitled to. VSO works to support people exercising their voice, no matter who they are or where they are from. We also help authorities respond to the needs of people they are there to serve.



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Putting the last, first

This year, the world has faced the biggest global health shock in generations. The COVID-19 pandemic presented severe challenges to health systems and created economic upheaval and food shortages. At the same time, global pressures such as climate change and political instability continue to grow. These challenges are interconnected – sustained health emergencies, for instance, cause major economic disruption.

People who are marginalised are hit the hardest in a crisis. They lack resources to cushion against shocks and many will face exclusion due to gender, disability, or social status. The needs of the most vulnerable communities are complex and diverse,

and VSO's investment in our core approaches ensures that people who are marginalised remain at the forefront of our response.

VSO cannot provide specific solutions to every threat, but our volunteers' work to build a resilient, inclusive, and accountable world enhances people's ability to respond - on their own terms.

Our core approaches ensures that people who are marginalised remain at the forefront of our response.



Reaching the deaf community during COVID-19

The first case of COVID-19 in Rwanda was recorded on 14 March 2020. Seven days later, the government imposed a full national lockdown. The disadvantages faced by marginalised groups, including people with disabilities have only been heightened by the pandemic. VSO national volunteers in Rwanda have been working to overcome the specific challenges faced by the deaf community.

The communication channels used to convey safety information to most Rwandan citizens are often inaccessible for deaf people who cannot hear radio broadcasts or television programmes. In response, VSO national volunteers, Community Health Workers and National Youth Council representatives collaborated on socially distanced, door-to-door home visits to people with hearing impairments. They reached 297 deaf adolescents who were at risk of not receiving essential safety messaging.

Eric, a VSO national deaf volunteer, worked alongside other national volunteers and partners to develop sign language videos broadcast over television and social media. The videos provided life-saving information based on official messages from the World Health Organisation and the Rwandan Government. Over 600 deaf people re-tweeted the video messages and an estimated 134,000 viewers from the general population viewed further messages broadcast on television. Eric says,

“For deaf people, the project has helped us access information about COVID-19 and how we should protect ourselves. It's created awareness about the rights of deaf people during this time... We feel safe and are being careful to wear masks and wash our hands ... many deaf people are not able to access information on radio or TV, so they are left behind. We're able to ensure that the messages reach many people.”



Preparing for disaster and reducing risk

This year saw the conclusion of a disaster response and community resilience programme that reached 15 countries. Known as the Prepared for Resilience, Recovery and Rehabilitation initiative, the programme was a collaboration between the European Commission Education Audiovisual and Culture Executive Agency and the UK Foreign, Commonwealth and Development Office.

This work came at a crucial time as many communities that VSO works with are facing increased risk of emergencies – from natural disasters such as floods, drought, and typhoons, to conflict and gender-based violence. Through the programme, we strengthened the capacity of over 7,000 VSO volunteers and 300 staff on disaster preparedness and resilience. We then used these skills to support 10,000 people from local communities and schools in preparing for different kinds of hazards.

Communities put in place early warning systems, community notice boards, undertaken emergency simulations, and created support plans. Early



Volunteers respond to Cyclone Idai, Mozambique

indications show that communities and schools are now better prepared to respond to disasters.

As well as supporting the communities we work with, the programme helped VSO better understand how to support those volunteering in these at-risk contexts. There are now disaster preparedness plans for 15 countries, which will help us better support emergency responses to disaster in those places. In the past year alone, these plans and response systems have supported VSO to respond to multiple conflict, climate and COVID-19 emergencies.



Volunteers mobilise to respond to fires in Sierra Leone



Communities prepare for provincial disaster response in Pakistan

SIERRA LEONE

Citizens holding governments to account

Charilous, 20, is a member of the Sierra Leone Union for Persons with Disability youth group. Alongside other national volunteers in Sierra Leone, he has been trained by VSO to monitor the government's delivery of education and health services. Using monitoring tools such as community scorecards and "mystery visitor" exercises, they collect data which can be used to ensure the government delivers on its promises. By enabling citizens to review progress, we are helping citizens monitor issues that affect them and at the same time, helping governments to improve their performance.

"I am glad to be part of this" Charilous said. "To lead a process of change that empowers someone like me to exercise my voice, claim my right and hold those in power to account. This is something I have wished to undertake but never got an opportunity, prior to the support and empowerment from VSO." Charilous is now lead facilitator for a team that monitors services by using the tools gained from VSO training.

"Due to VSO believing in and empowering me, I am now in a very good position to take this learning to my disabled community, and to use the lessons to open the eyes of citizens on issues affecting them in accessing service and accountability challenges within communities, primary actors, and various development sectors."



Charilous is not alone. Around the world, over 1,500 people have been trained on citizen led monitoring. With the evidence they gather, people are being empowered to use evidence to help governments recognise what they need to do deliver on their promises to marginalised people.

Volunteering for development response to the COVID-19 Pandemic

Volunteering for development has never been more critical. We witnessed huge disruption to people's health, education, and livelihoods. In response, thousands of people volunteered in communities around the world, contributing to resilience and recovery.

A VSO volunteer recently said that rough seas make stronger sailors. Over the last year, our organisational resilience has been tested. In just 10 days, we had pivoted 80% of our Volunteering for Development accountable grant funded by the UK government, towards responding to the pandemic. This meant we were able to support girls' education, children living with disabilities, strengthening healthcare systems, protecting basic livelihoods, building community resilience to crises.

The pandemic demanded new solutions, particularly when people could not be brought together physically. Our decades of experience in health, education and livelihoods, and investments in resilience and preparedness planning, enabled VSO to ensure communities could access the support they needed.

We trained and mobilised youth and community volunteers to raise COVID-19 awareness and

disseminate information on risks and prevention. They operated alongside governments to bolster national responses. Our livelihoods and emergency teams responded to growing humanitarian needs, including access to basic food support, cash, and other vital items.

Elsewhere, we established support hotlines and peer support networks to address mental health impacts. VSO's emergency education work responded to huge increases in out of school children as schools closed. Volunteers sustained access to education by supporting families and carers to provide home or community teaching aided by broadcasts accessed by radio and through VSO's education app.

As we remain in the midst of a global pandemic and ever-accelerating climate crisis, VSO continues to strengthen national and community resilience, ensuring the most vulnerable can adapt and respond.

WE WORKED TO 5 OBJECTIVES:

1 Raising awareness of Covid-19

2 Continuity of education

3 Continuity of health provision

4 Continuity of livelihoods

5 Building resilience to the pandemic

Adapting to new challenges at speed

NEPAL

VSO response to school shutdowns in rural Nepal

VSO stepped up, delivering services whilst schools closed. We ensured children remained safe by training volunteers on safeguarding through the VSOSCHOOL app. We maintained communication between schools and communities through social media. We produced widely accessible radio lessons and broadcast information about staying safe and combating COVID-19 myths, since just 24% of households have regular internet access – far lower rurally.

VSO reacted quickly when Nepal's government announced a countrywide lockdown that left six million children out of school, denying them the stability, safety, and support that school provides. With many of our international volunteers having to return to their home countries, VSO adapted by taking on more community and national volunteers. We conducted research to understand the emerging challenges, which confirmed that prospects were worsening for all children, particularly girls. Adolescent suicide and gender-based violence increased. Lower incomes and high dowry prices meant early marriage became a serious consideration for many households. Almost 90% of girls spent more time on domestic chores.

VSO adapted our Sisters for Sisters programme, which has supported almost 10,000 vulnerable girls

through community mentoring. 15-year-old 'little sister' Anjali describes its importance, "When I was 10 years old, I would rarely go to school as I was occupied with house chores. My parents also didn't find it important for me." Her 'big sister' offered support, "It was Big Sister Muni who came and talked with my parents about how important it is for me to access education."

During lockdown, Big Sisters engaged encouraged parents to prioritise education, not chores and marriage. Anjali explained, "Most of my days during lockdown were spent doing house chores and taking care of my nephews. The schools are closed, and we are unable to get an education."

Despite face-to-face mentoring being impossible, Muni persevered. "Big Sister Muni called me and informed me about the virus and how we can protect ourselves. Through mobile mentoring, Muni informed us that if we take the proper precaution of washing hands and not going out from home without any urgency, we will stay protected."

When reduced incomes, school closures, and lack of supplies meant sanitary products were unavailable, VSO delivered hygiene kits and lessons on making reusable sanitary towels. After restrictions eased, Big Sister Muni taught Anjali "to make homemade sanitary pads which we learned earlier in school. This helped me and my mother to access pads during the height of lockdown."



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📍 ZIMBABWE

Youth engagement to stop the spread of COVID-19 disinformation

Myths and misinformation about COVID-19 abound, particularly in remote communities. This has created an 'infodemic', making the pandemic worse. The World Health Organization describes an infodemic as 'an over-abundance of information – some accurate and some not – that makes it hard for people to find trustworthy sources and reliable guidance when they need it'. In this environment, false claims about cures and prevention, scams, manipulated videos and conspiracy theories thrive.

In Zimbabwe, a team of 16 VSO youth volunteers, known as the Youth Engagement Action Team, worked with communities to debunk myths and share tips for spotting fake news, and spread scientifically accurate messages. They exposed false claims that people of African descent cannot get COVID-19 or that drinking alcohol provides immunity and showed 'official' documents used for disinformation to be false.

The team in Zimbabwe are part of a wider Youth Engagement Network established by VSO in Africa and Asia, that supports young people to volunteer in their communities. Many former International Citizen Service (ICS) volunteers – inspired by their experience – are involved. These youth-led networks



Young volunteers plan how to stop the spread of COVID-19 disinformation amongst communities in Zimbabwe

exist in Zimbabwe, Bangladesh, Cambodia, India, Nepal, and Tanzania and are integrated to work alongside other VSO volunteers on our projects where possible. This strengthens projects by introducing new perspectives and energy which compliments the expertise of others.

Whilst the UK government decides its future international youth volunteering approach, these networks demonstrate the power of young people to create and deliver change. VSO continues to support these networks, seeing the vital difference they make in communities they are uniquely placed to serve.



The Zimbabwean Youth Engagement Action Team (YEAT)



Scaling up our policy and advocacy work

VSO uses evidence from our projects to create policy change around the world so that societies are fairer, open, and inclusive.

Our work takes a “bottom-up” approach, helping people in the communities we support to identify the drivers of poverty, vulnerability and exclusion around them. We don’t speak for our primary actors; we support them in making their voices heard on issues and decisions that affect them.

Across Africa and Asia, our volunteers and staff help bring the voices of primary actors into decision-making spaces. VSO volunteers help bridge the gap between governments, service providers and people who have been marginalised. They bring expertise on how to drive policy change and advocate for rights.

In Bangladesh, we worked with the Ministry of Education to ensure pupils had access to digital learning materials while schools were closed. In Ethiopia, we contributed to regional guidelines for the continuation of essential health services during the pandemic. In Myanmar, Thailand, Sierra Leone, and Zimbabwe we worked to help citizens hold their governments accountable for their delivery of the Sustainable Development Goals by supporting their participation in the UN’s High Level Political Forum.

This year, VSO delivered fifteen policy changes in countries around the world – five more than the year before. For instance, we led Zimbabwe’s National Volunteer Draft Strategy alongside the Ministry of Youth, Sports, Arts and Recreation, Zimbabwe Youth Council, UNV, and Higherlife. Together, we created a National Volunteer Strategy that empowers volunteers, prioritising their recognition, participation, and support. Crucially, it encourages inclusivity, meaning that people who are marginalised are not left behind. Our policy and advocacy work has intensified to ensure the needs of the world’s most marginalised are not forgotten during the pandemic.



Representatives from VSO presenting our Citizens Voices report to UN Secretary-General Antonio Guterres

Bringing marginalised voices to power holders

VSO and United Nations Volunteers (UNV) have worked together for over a decade to advocate for inclusive, impactful, and quality volunteerism. Collectively, we put marginalised people's voices at the centre of UN discussions on development.

This year, VSO has made sure that Voluntary National Reviews - which governments use to report progress against the United Nations Sustainable Development Goals - include marginalised voices.

All over the world, VSO volunteers have run sessions with local communities. Citizens share views and experiences on what is happening in their neighbourhoods, learning about the Sustainable Development Goals (SDGs) and their government's commitments to reaching those targets. We specifically work with underrepresented groups - such as youth, people with disabilities, LGBTQI+, and people of certain castes or ethnicities - and submit evidence we gather to national governments or directly to the UN.

This work is vital because marginalised people are often unheard, meaning issues they face are not addressed. VSO's standing in the UN system and our membership of the Volunteer Groups Alliance - one of 17 UN-recognised stakeholder groups -

allows us to make those voices heard. By doing this, we raise awareness of government obligations towards citizens. Hearing marginalised voices in UN-associated forums gives governments opportunities and motivation to act.

Last year, we submitted our 'Citizens Voices Nepal' report to the UN. The report incorporated marginalised people's voices and presented a fuller picture of progress towards the SDGs, providing evidence that certain groups are being left behind.

In Thailand, we worked with UNV to gather evidence from other volunteering organisations to understand how youth volunteers responded to COVID-19. The voices of youth project volunteers were featured in Thailand's national review, which included information on issues affecting them but impacting across society, such as child and youth mental health.

Using our evidence, we are influencing national SDG policy by emphasising the importance of volunteering in making progress against the Goals. Governments in many countries now consider volunteering as vital to the development agenda, reiterating the view of VSO and the UN that delivering the SDGs is impossible without volunteering.



Raising the Global Standard of volunteering for development

Throughout the pandemic, VSO continued to lead efforts with other volunteer-involving organisations across the globe, to advance responsible and impactful volunteering.

Since 2017, VSO has played a key role in the development of the world's first Global Standard for Volunteering for Development. This promotes responsible international volunteering work. The standards were developed with the involvement of organisations from the "Global South" and cover four key areas: Designing and Delivering Projects, Duty of Care, Managing Volunteers and Measuring Impact.

Since the launch of the Global Standard in Kigali, Rwanda, in 2019, 111 organisations have become signatories, meaning they agree with the principles of the Global Standard, and they intend to implement them in practice. Volunteer-involving organisations have also used the Global Standard as a tool to support the development of national volunteering policies in Ethiopia, Kenya, Nepal, the Philippines, and Sierra Leone.

In partnership with the African Union, VSO has used its position to promote the Global Standards across 55 member states. As a trusted voice, we are now building on this work to advance national volunteering policies that reflect the Standards and our Volunteering for Development method across the African continent. This is a great leap forward in integrating volunteering into national development initiatives.

Last year, VSO led the development and pilot of a self-assessment process that helps organisations assess themselves against the Global Standard. This process was tested and successfully validated by 30 volunteer-involving organisations, including Mission Des Jeunes Togo, National Forum for Advocacy Nepal, Rwanda Initiative for Sustainable Development, Singapore International Foundation, World University of Canada, and Yayasan Sukarelawan Siswa Malaysia.

We are now in a process of drafting additional content for the standards, covering online volunteering, increasing volunteer

diversity, environmental protection during placements, and enhanced safeguarding for volunteers and communities.

VSO is a global leader in volunteering for development, and as more organisations continue to adopt the Standard, we are proud to be leading on improving the impact, quality, safety and effectiveness of volunteering everywhere.

“We really wanted to test the content and structure of the Global Standard to ensure it works in practice. This process also has been key in ensuring that Volunteering Involving Organisations’ have a voice in informing revisions to the Global Standard itself before rollout to the wider Volunteering for Development sector in late 2021.”

- Rahim Hassanali, VSO's Project Coordinator for the Global Standard



Government and civil society representatives unite behind the Global Standard in Kigali, Rwanda

Our voluntary workforce at VSO

This year was no doubt one of the most challenging years in recent history. Our incredible voluntary workforce rose to the challenge, supporting VSO in delivering effective life-saving initiatives to primary actors, in a rapidly changing context.

Many of our returned volunteers continue to engage with VSO beyond their initial placement, returning as part of our voluntary workforce. This year, over 175 people joined our voluntary workforce pool, giving up their time to support the VSO mission of creating a fair world for everyone. Altogether, they donated over 7,250 hours, supporting our global teams.

In responding to the global pandemic, we have harnessed the wide range of technical skills that exist amongst the voluntary workforce including:

- Emotional and Psychosocial Learning Supports Specialists
- Disability and Inclusion Specialists
- Gender and Gender Based Violence Specialists
- Social Accountability Specialists
- Psychosocial Counsellors
- Youth Development Specialists
- Research and Analysis Specialists

Often operating remotely, many from their living space or bedrooms, volunteers with expertise in curriculum development and radio programming supported the adaption of teaching and learning resources in education settings around the world. This helped children to continue to access quality education during lockdown through online learning and radio programmes.

Volunteer specialists also delivered sessions on emotional and psychosocial learning support to students and teachers. They trained teachers to identify mental health issues and how to signpost students towards the help they need.

As part of VSO's partnership with UNICEF in the Philippines, 9 voluntary workforce members

supported a national helpline programme to provide psychosocial counselling to those who needed it during the pandemic. In Mozambique, 25 voluntary workforce members supported the community response to COVID-19, carrying out awareness-raising and sensitisation activities within local communities.

Our volunteer Research Specialists helped research the impact of COVID-19 on primary actors. This supported communities in coming up with initiatives that support vulnerable people and particularly those affected by the wider impacts of the pandemic, such as 'one-stop centres' for women at risk of gender-based violence.

This year, we also welcomed undergraduate and postgraduate students from the London School of Economics, who joined our voluntary workforce pool supported research and analysis to help improve operational delivery, particularly in talent sourcing.

Our volunteer application managers and selectors continue to play a very significant role in assessing applicants and finding those with the right skills, knowledge, and attitudes to work with VSO.

Finally, our International Board of Trustees also welcomed seven new members, each bringing their diverse perspectives and experiences to guide and support VSO's leadership team.

We remain grateful to all our committed voluntary workforce members, who have helped deliver on the organisation's vision of creating a fair world for everyone.

Over 175 people joined our voluntary workforce pool, giving up their time to support the VSO mission donating over 7,250 hours.



Looking forward



I am grateful to all those individuals, institutions and companies who've helped us in the last year. Together we've shown we can support the most vulnerable to change their world - our world - for the better.

This last year has probably been the most challenging for VSO in delivering its mission in our entire sixty-year history. Not only did the global pandemic create greater vulnerability for millions of people who were already at risk, but it disrupted and challenged our ability to work around the world. I am incredibly proud of how VSO people – our staff and volunteers – have risen to the challenge and adapted our work to respond to COVID-19 and in doing so, reached more people than ever before.

In the coming year, we will continue to focus on alleviating the impacts of COVID-19. We will focus on ensuring continuity of education, health and livelihoods for those people who are marginalised by society. We will continue to build the resilience of communities and countries to anticipate and withstand shocks and disasters. We will continue to support the ability of the most vulnerable to hold governments to account and, in turn, to help governments respond to and meet the needs of their populations. Over the coming years, we will also be scaling up our work on climate action which alongside the long-term impact of COVID-19, is probably the most pressing issue facing the world today.

Our ambition is to use our Volunteering for Development approach to make a bigger contribution to delivering the Sustainable Development Goals. Given how VSO has adapted and extended its work over the past year, I am confident that we will meet that ambition in the years ahead.

Philip Goodwin

Chief Executive Officer



Financial Review

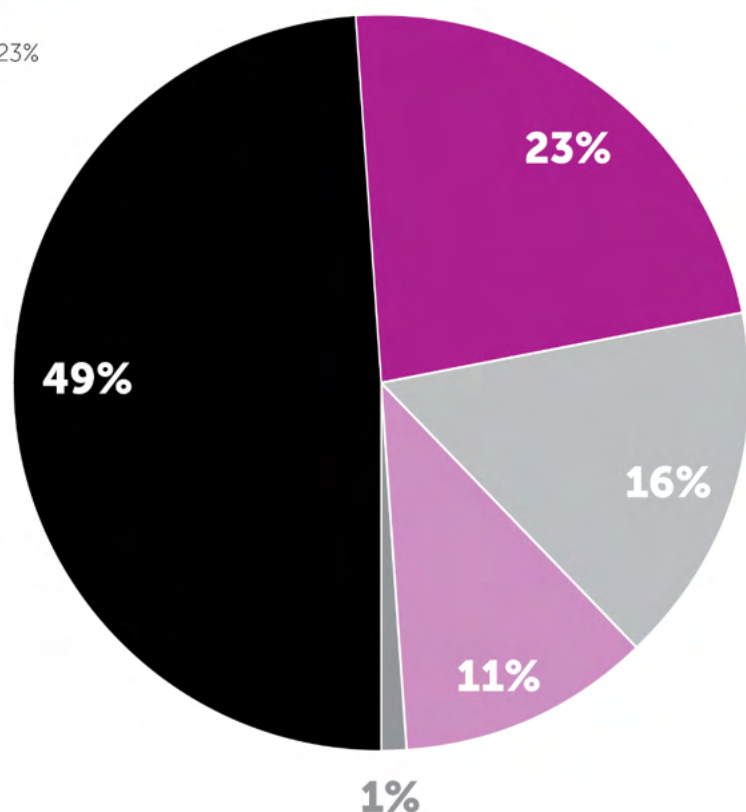
How we raised and spent our money in 2020/21

Income

In 2020/21, our income levels reduced significantly. The decrease is mostly linked to a further reduction of our ICS contract income, as it was not possible to send volunteers in the last year of the contract due to COVID-19. The Foreign, Commonwealth & Development Office (FCDO) remain a significant income source, although the overall proportion has decreased, as we have diversified our donor portfolio.

Where our income came from 2020/21

- Institutional Grants: 49%
- FCDO Volunteering for Development Grant: 23%
- Individual giving: 16%
- ICS 2 Contract: 11%
- Other income: 1%



Total income
for the year
£49.4m

Institutional grants and charitable activities

Volunteering for Development (£11.5 million)

This income contribution from FCDO is through an accountable grant for the delivery of three short term extensions to the Volunteering for Development programme covering the financial year. An additional one-year extension has been granted for 2021-22. There is a wide support within FCDO for the continuation of this work with discussion on a new multi-year grant from April 2022. However, further discussions are ongoing to align the programme with new UK government priorities.

ICS contract income (£5.7 million)

The ICS programme closed in February 2021 after 10 years and with 40,000 volunteers placed in some of the poorest regions of the world to contribute to sustainable change.

There is widespread support within government and across UK overseas missions for a new international youth volunteering programme to be developed. VSO

continues work to influence UK government thinking in this respect and to define the shape and focus of a potential new programme when global circumstances allow.

Institutional grants

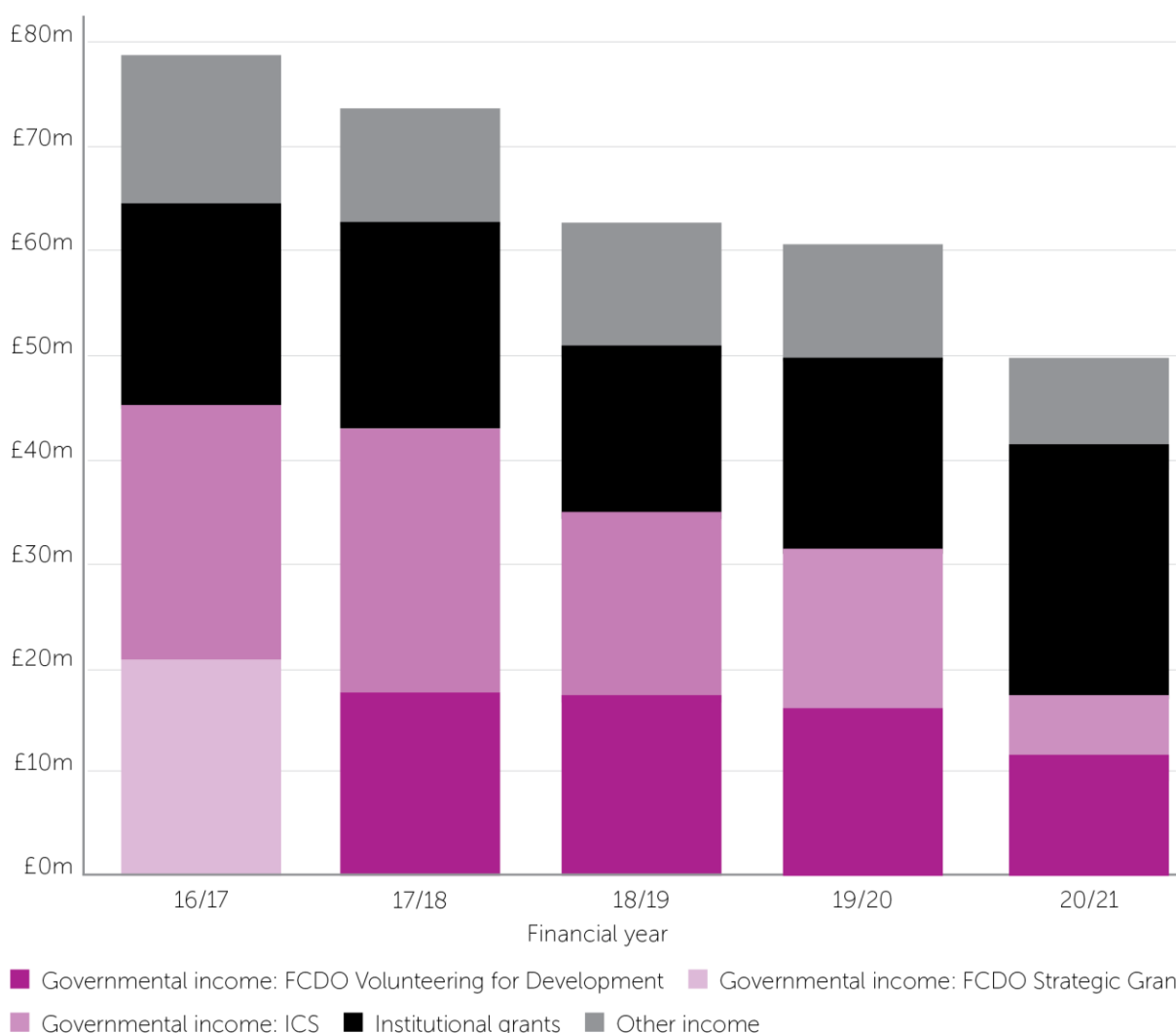
Governmental income: other (£16 million):

VSO has made progress in diversifying its income from governments. We have scaled up existing work with our main donors: FCDO, Global Affairs Canada, European Union, the German development bank (KfW) and UN agencies, while building relationships with new partners, such as USAID, which is supporting the Women's Economic Empowerment programme in Pakistan, and the Netherlands Ministry of Foreign Affairs on a major new multi-country programme to address barriers to marginalised girls' sexual and reproductive health and rights.

Non-governmental bodies (£8 million):

Partnerships with the philanthropic sector play a significant role in deepening the impact of our core

Income by type



programmes. They include support from Robert Carr Civil Society Networks Fund, Mastercard Foundation, AmplifyChange, and the Hempel Foundation.

New partnerships have also been developed with the Bill and Melinda Gates Foundation on a project to establish Emergency Operations Centres in a range of countries in west Africa dealing with vaccine-derived Polio outbreaks and a new partnership with the Lego Foundation which is supporting a Learning Through Play inclusive education programme in Rwanda.

VSO also continues to work closely with a range of private sector partners to access funds, as well as technical skills through corporate employee volunteering. We have continued valuable volunteering partnerships with Randstad and though placement of international volunteers has been impossible this year due to the pandemic, it is expected that the programme will recommence once circumstances allow.

Other income

Individuals (£6.3 million)

Over 40,000 regular giving donors form the foundation of VSO's individual giving programme. Most of these supporters make consistent, monthly donations. In 2020/21 VSO launched a new strategy focused on

practical, high return channels and products with significantly lower cost structure. These changes have already had a positive impact on fundraising performance. For instance, in April 2020 a Covid-19 emergency appeal was launched generating £223k and the Christmas appeal, which focused on girls' education in Kenya during lockdown, raised over £175k. A significant number of our donors were VSO volunteers themselves, often many years ago. Now their funding allows volunteers from all over the world to work alongside communities and deliver sustainable impact. The recruitment of new donors has also been encouraging and will help ensure long term sustainable income for VSO's work.

Legacies (£1.5 million)

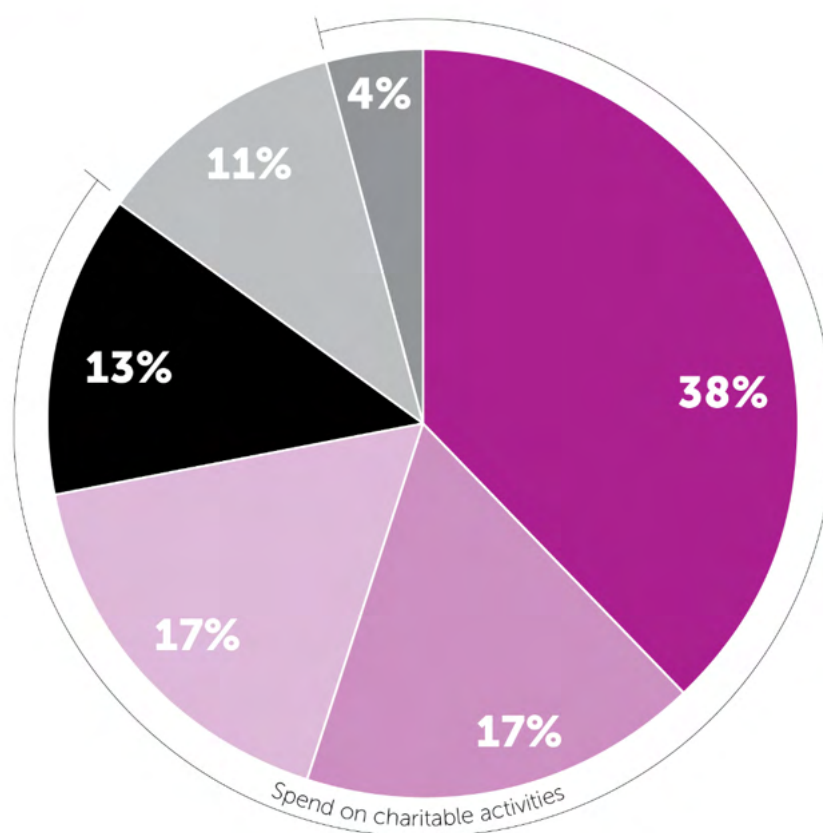
Legacies continued to provide a proportion of unrestricted funds in 2020/21. We are deeply grateful to the 42 supporters who left a legacy to VSO through gifts in their Wills. These generous legacies will provide valuable funding of our work for generations to come. We extend our sympathy and heartfelt thanks to their loved ones.

For more information: Financial statements, note 2 Income analysis.

Expenditure

How the money was spent 2020/21

- Inclusive Education: 38%
- Health: 17%
- Resilient Livelihoods: 17%
- Core Approaches: 13%
- Raising funds: 11%
- ICS consortium partners: 4%



Raising funds

Raising funds (£5.1 million): Expenditure in raising funds has reduced compared to 2019/20, as cost savings measures were implemented. Efforts to diversify institutional donors continued, and the implementation of the individual fundraising strategy focused on practical, high return channels and products with significantly lower cost structures. The best outcomes for the spending was sought at all time, and when results were not as expected, alterations to the spending were made to maximise net benefit of fundraising.

Spend on charitable activities

Total spend on charitable activities in 2020/21 was £41.8 million.

Expenditure on our health programmes has increased compared to 2019/20; while inclusive education, resilient livelihoods and core approaches programmes decreased compared with 2019/20 spend. Overall programme spending was significantly impacted by the reduction FCDO funded programmes: Volunteering for

Development funding decreased by 30% from £16m in 2019/20 to £11.5m in 2020/21, and our ICS contract came to an end, resulting in a decrease in spending of £10m. COVID-19 and related lockdown restrictions in many countries also impacted our ability to implement programme activities.

Expenditure on health (£8.1 million) has increased by £0.9 million reflecting two new projects: the Polio Emergency operations centres funded by the Bill & Melinda Gates Foundation and Speak it Loud in Zimbabwe funded by UN Women. Other projects were delayed or experienced challenges in implementing during lockdowns, which partially offsets the new projects.

Expenditure on resilient livelihoods (£8.2 million) has decreased by £9.1 million primarily due to several projects closing during the year: ICS (FCDO), Bank Asia in Bangladesh and Knowledge Exchange (FCDO). In addition, ongoing projects were delayed or ran reduced activities as a result of lockdowns.

Expenditure on inclusive education (£17.9 million) has decreased by £0.6 million, related to reduced implementation activity as a result of the pandemic for projects such as EAGLE in Mozambique (Global Affairs Canada), Unlocking Talent (KFW and Royal Norwegian Embassy) in Malawi, BLF in Rwanda, Sisters for Sisters in Nepal, Leave No Girl Behind Education for Life in Kenya and Global Partnership to EVAC in Nepal. New projects that were launched in the year (Norwegian Refugee Council and Ministry of Peace in Ethiopia) partially offset this, but these were also delayed in start-up.

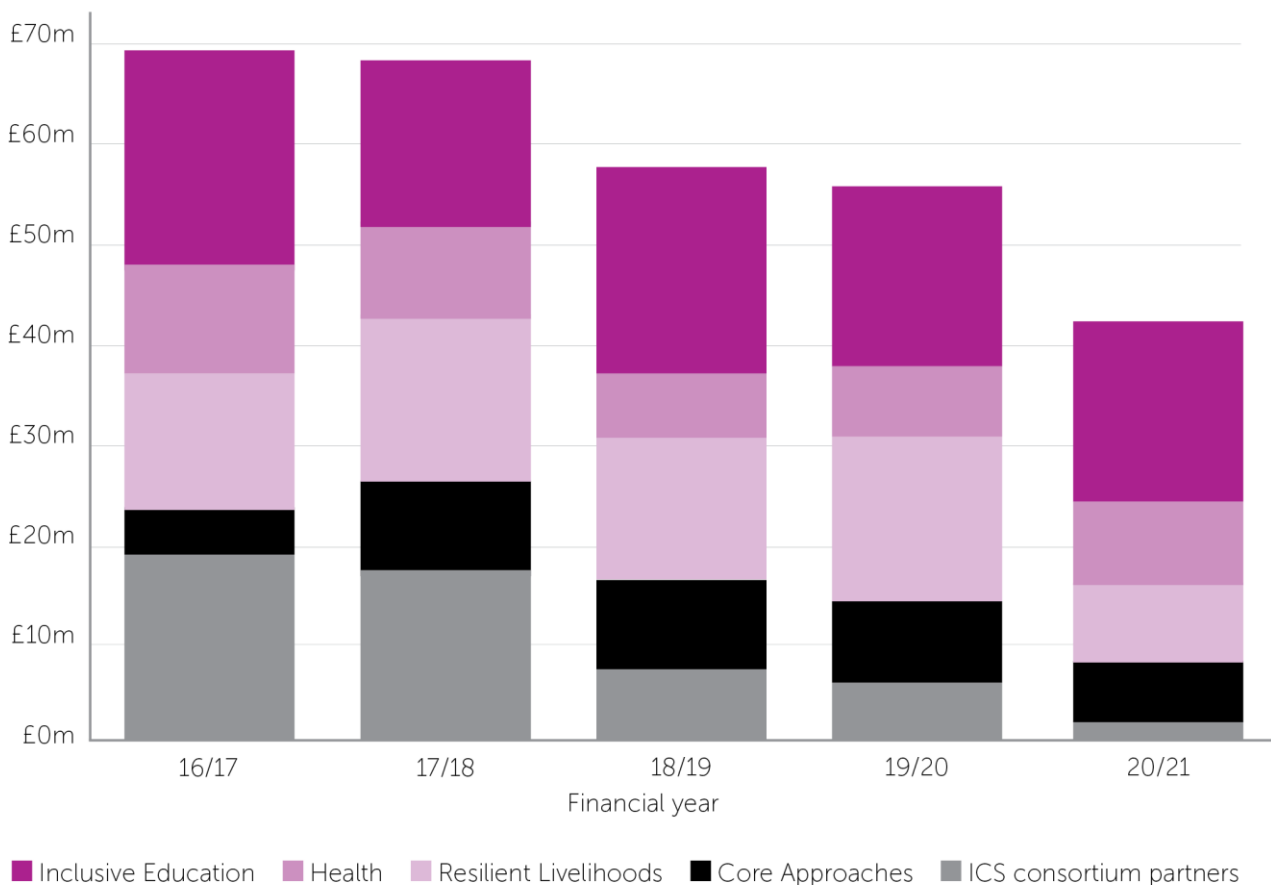
ICS was delivered working with a consortium of respected development agencies. Contractual payments to ICS consortium partners (£1.8 million) for delivery against the ICS contract have reduced by £4.0 million compared to 2019/20. As already mentioned, the programme ended during the year. The ICS extension operated with two consortium members, Raleigh and Restless Development since the middle of 2018/19.

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

Grant-making

Throughout its programmes, VSO works with and funds in-country partner organisations, for them to undertake agreed activities in pursuit of VSO aims.

Spend on charitable activities



Reserves

Funds – multi year view



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

At 31 March 2021, VSO's general reserves stand at £12.8 million, which is £3.8 million above the £9 million target level set out in VSO's reserves policy. This high level has helped us manage the multiple shocks and stresses encountered since March 2020, especially the reduction in available resources linked to the COVID-19 crisis and the political environment in the UK. Trustees have planned to use the surplus in the coming years as the organisation adapts to the current environment.

Closing reserves position	19/20 £'000	20/21 £'000
Restricted	4,044	8,236
Unrestricted: general fund	13,657	12,821
Designated: fixed asset fund	556	361
Designated: ICS	500	-
Designated: pension deficit	(2,708)	(2,286)
Designated: change programme	868	522
Designated: income generation	2,315	1,983
Designated (total)	1,531	580
Total Reserves	19,232	21,637

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

The designated ICS fund was used to cover end-of-contract costs (see note 14).

The designated pension deficit fund matches the provision recognised for VSO's agreed contributions to the deficit funding arrangement for the Pensions Trust Growth Plan (see note 19).

The designated income generation fund is to be invested in income generating activities over the next year. This fund will support unrestricted income growth and the income portfolio diversification.

For more information: Financial statements,

- Note 12 Provisions for liabilities
- Note 13 Restricted funds
- Note 14 Unrestricted funds
- Note 19 Pension costs

Investments

Closing cash and investments position	19/20 £'000	20/21 £'000	Variance £'000
Short-term deposits	11,891	14,959	3,068
ICS working capital advance	3,429	-	(3,429)
Cash at bank: UK and subsidiaries	4,454	5,871	1,417
Cash at bank: overseas	3,095	1,918	(1,177)
Total	22,869	22,748	(121)

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

VSO's policy is to maintain a risk profile with no assets rated less than single A and no investment in complex financial instruments. The Audit and Risk Committee reviews the policy annually. VSO's Articles give it the power to invest monies in investments, securities and property, subject to legal requirements. VSO's finance team reports regularly to the Audit and Risk Committee on the composition of investments held and their maturity profile.

Despite the decrease in overall funding, VSO's cash position has only slightly reduced as donors on some of our large programmes have paid in advance to help charities manage their cashflow in these unprecedented circumstances.

In 2020/21 VSO maintained its position in short-term deposits to ensure that sufficient funds were held in liquid deposits to allow VSO to respond to significant changes in future funding.

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

Going concern

We have set out in this report a review of VSO's financial performance, the reserves position and principal risks and uncertainties. In light of the ongoing COVID-19 pandemic and the delays in funding related to the merger of DFID and the UK Foreign & Commonwealth Office, VSO continues to undertake regular scenario-planning exercises. Those include projections of income and planned expenditure, including financial and cashflow, to forecast how various outcomes might affect VSO's operations in 2021 and going forward, taking into account the risk of decreased income from various sources and the ability of VSO to implement its activities across the globe. The results of the scenario planning have been used during the year to start re-aligning VSO's cost base to the new level of activities and as a basis from which to formulate a model for strategic planning. As described throughout this report, in 2020/21, VSO has demonstrated it can adapt to the situation, nevertheless VSO remains alert to ongoing risks and uncertainties. As detailed in our reserves policy, we hold general reserves to provide cover for unexpected changes in income and expenditure to allow us to adjust our cost base and continue activities. We will continue to monitor the situation and manage our finances accordingly. The results of the scenario planning, together with VSO's current level of unrestricted reserves, and a continuation to shift to a more adaptable unrestricted cost structure, indicates that VSO has sufficient resources to continue in operational existence for the foreseeable future.

The trustees therefore have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of these financial statements, and are not aware of any other material uncertainties which may adversely affect the organisation. Accordingly, the financial statements continue to be prepared on the going concern basis.

Principal risks and uncertainties

VSO's work towards a fair world for everyone is inherently risky. This risk is part of our work, especially in fragile and conflict-prone countries and due to our model of working with partners and a range of volunteers. Our trustees recognise that the acceptance and management of risk is necessary to achieve our key objectives.

Over the last year, we have faced considerable financial risk from the uncertainty created by the changes at the UK's Foreign, Commonwealth and Development Office (FCDO). VSO has a strong and longstanding, strategic relationship with the FCDO.

However, the UK government's decision to reduce Overseas Development Assistance funding and the ongoing changes related to the merger of the Foreign and Commonwealth Office with the Department for International Development created uncertainty around continued funding for VSO programmes.

We received a series of short-term funding decisions in-year which meant adapting our programming and infrastructure at short notice. As we go into 2021/22, we are pleased to have received a further year's funding from the UK government alongside strong expressions of support from the government for the continuation of the strategic relationship.

The COVID-19 pandemic continues to have a significant impact on all organisations and VSO is no exception. The pandemic will be a significant risk for the next twelve months. The challenges are keeping our VSO people - our volunteers, employees and the primary actors we serve - safe and being able to deliver a high-quality programme of work. There are of course, opportunities too, including adapting our global portfolio of work to respond to the challenges of COVID-19.

VSO's dispersed leadership model and the high degree of organisational comfort in online and remote working ensured continued working during the pandemic. Our long-term strategy has been to create a more adaptable operating model and the global pandemic has underlined the value of this approach and the need to continue to reinforce it.

This is a challenging time for raising both restricted and unrestricted income. The fundraising

environment changes at pace, with COVID-19 affecting the economic situation for more and more donors (individuals, institutions and companies).

Through good strategic management and a long-standing focus on the adaptability and sustainability of the organisation, VSO has the financial reserves in place to help it withstand shocks such as this. We also have an operating culture that allows us to respond and adapt quickly. This was demonstrated by the very rapid pivoting of our work to respond to the global pandemic at the start of the year. Nevertheless, given the scale of the disruption, we must continue to adapt and manage resources carefully, particularly our unrestricted spend, if we are to be able to continue to deliver our mission for the longer-term.

We have undertaken scenario planning to better understand the potential impact on VSO, those scenarios have been updated on an ongoing basis to reflect the pace of changes the organisation has faced and we have put in place plans and taken relevant actions to mitigate the risks to the organisation.

The Executive Board have managed this through the strategic risk management process. The Executive Board meets monthly to discuss all strategic risks. The Executive Board reported directly to the International Board of Trustees through an online meeting monthly at the beginning of the pandemic and bi-monthly as the situation stabilised.

Risk Management

The trustees are responsible for ensuring that VSO has a sound system of internal control to safeguard its assets and funds, and for ensuring that its assets and funds are used only in furtherance of VSO's objectives. The trustees have ultimate responsibility for identification of the risks to which VSO is exposed.

The system of internal control is intended to manage risks appropriately, rather than eliminate them and to give

reasonable, rather than absolute assurance. The risk management framework approved by the trustees includes the following measures:

- The Audit and Risk Committee reviews the organisational risk register at each meeting, assesses the risks facing VSO and the measures put in place to mitigate them, and reports its findings to the International Board of Trustees.
- Critical risks are monitored on an ongoing basis by the Executive Board, a process which includes a monthly review of the organisational risk register. The Chief Executive Officer regularly updates the chair of the Audit and Risk Committee on any significant new risks or other changes to the register.
- Risk management is embedded across the organisation through use of an online integrated system (Salesforce). Risks raised on the online system are monitored in 'real time', reviewed by senior staff, and inform the organisational risk register.

Each risk is analysed according to its perceived potential impact and likelihood of occurring, together with actions that either have been, or will be, taken in mitigation.

The internal audit function carries out a programme of audits across all operations and activities based on an annual internal audit plan approved by the Audit and Risk Committee.

The table below captures the principal strategic risks and uncertainties after mitigating controls currently in place. The residual risk of other significant risks is considered lower than the risks presented here and the management actions relating to them are subject to regular review by the Audit and Risk Committee.

We are clear about our duty of care responsibilities, ensuring that we have high standards of medical, security and safeguarding practices in place is a key part of our work.

We consider safeguarding to be a principal risk. As a result of the mitigating controls we have in place, the residual risk in this area is considered lower than the other strategic risk presented below.

Risk and potential consequences	Risk management actions
Restricted Funding Opportunities	
<p>Loss of restricted funding opportunities due to the inability to articulate the relevance and value add of VSO. This would have a significant impact on volunteering for development and could lead to VSO not identifying and realising income opportunities which, in turn, undermines the delivery of our strategy.</p>	<p>During the year VSO has made progress in diversifying its income from governments, scaling up existing work with our main donors while building relationships with new partners.</p> <p>The COVID-19 pandemic has impacted on funding pipeline delays both for global programmes and bilateral programmes in VSO's country offices. Mitigating actions to reduce this risk include:</p> <ul style="list-style-type: none"> • Actively pursuing top priority programme opportunities, including COVID-19 response and recovery projects. • Early engagement with donors and implementing partners to continue driving live programme proposals. • Tracking all top priority programmes in development to identify and respond to delays. <p>Controls in place</p> <ul style="list-style-type: none"> • Proactive approaches and systems by Business Development to reinforce VSO's position as the leader of volunteering for development. • Practice area reviews and clarification of global programme theories of change. • Impact statements and quantitative outcome ambitions to reflect the value of volunteering for development. These are used to position VSO and increase our visibility in the global marketplace. • Business development teams that effectively and consistently communicate VSO's value to stakeholders at local and regional level.

Risk and potential consequences	Risk management actions
	<ul style="list-style-type: none"> • High performing business pursuit team structures in the UK, US and Netherlands enabling wide ranging, integrated and consistent branding, positioning and access across global donor markets. <p>Progress in the year</p> <ul style="list-style-type: none"> • VSO has continued to diversify its funding base to include additional donors and is now less reliant on one donor. • All new funding sources in the year being from non FCDO sources. • Practice Area teams providing increased support in the positioning of VSO through several mechanisms, including thought leadership pieces and the use of the VSO website. • Appointing country representatives who are externally facing, able to spend more time on business pursuit, dedicated to building strong partnerships and increasing country and regional portfolio of programmes. • Country-level mapping exercises were undertaken and our portfolio of work with donors' strategies fully set out. <p>Further actions</p> <ul style="list-style-type: none"> • Improving and strengthening VSO's proposal development process and capabilities by implementing a strategic oversight system for managing and making decisions over what goes into and moves forward in the VSO pipeline. • Ensuring better integration of market intelligence from global teams to country-based teams and between country-based teams.
Insufficient Unrestricted Income	
<p>Insufficient unrestricted income to invest in organisational growth and guarantee organisational independence.</p>	<p>Controls in place</p> <ul style="list-style-type: none"> • Careful reserves management and scenario planning. • Investment funding for new unrestricted fundraising initiatives. • Support plans for fundraisers that include clear asks from supporters for unrestricted funds as an element of lifelong engagement. • Purposeful messaging and engagement approaches focused on securing unrestricted funding and minimising donor attrition rate. <p>Progress during the year</p> <ul style="list-style-type: none"> • Increased focus on emergency and COVID-19 appeals, including ongoing supporter care engagement to maximise regular giving and minimise donor attrition rates. • The VSO Public Fundraising team has been resized in line with the required ability to operate and in accordance with targeted income levels. • The VSO Data and Insight team has been re-targeted to focus on improvements which will impact growth in public fundraising income. • Developing a returned volunteering engagement strategy. <p>Further actions</p> <ul style="list-style-type: none"> • Continues review of where short-term savings can be made, including reduction in structural costs. • Reorganising resources around programmes grants, creating a more adaptive and flexible cost structure.

Risk and potential consequences	Risk management actions
	<ul style="list-style-type: none"> • Ongoing efforts to refine and target VSO's support networks, including return volunteers. • Pursuing additional income-generating projects, such as mass donor recruitment, supported by digital events to enable higher participation and engagement. • Ensuring all contacts in VSO databases are visible for Public Fundraising purpose, ensuring enhanced selection of target audiences and analysis of performance to ensure efficiency of budget. • Developing an acquisition strategy and linking this to the returned volunteering engagement strategy and other public fundraising work.
Political Uncertainty	
<p>The uncertainty created by the changes at the UK's Foreign, Commonwealth and Development Office (FCDO) disrupts our relationship with our major donor and impedes our ability to deliver on our strategy and operating plan.</p>	<p>Controls in place</p> <ul style="list-style-type: none"> • VSO has an excellent track record of successfully implementing a global portfolio of work reflective of VSO's existing value proposition. • Achieving A ratings on all FCDO grants and contracts during the year. • Written statement by the UK Foreign Secretary setting out the financial allocations for UK development assistance to the UK Parliament. The statement commits to protect civil society programmes and explicitly mentions protecting VSO programmes. • Confirmation from UK government that the FCDO will provide continued funding of our V4D work. <p>Progress in the year</p> <ul style="list-style-type: none"> • Urging the UK government to ensure that the UK aid budget remains focused on helping those in poverty. • Working with the FCDO and with organisations throughout the sector to ensure that the needs and voices of the most vulnerable continue to be championed in the UK. <p>Further actions</p> <ul style="list-style-type: none"> • Continue with the strategy of positive engagement with all UK government departments. <p>Seek to influence the FCDO on issues around volunteering for development and learning from our practice areas.</p>
Recovering Programme Costs	
<p>An inability to recover our full costs on grants, contracts and programmes could impact negatively on VSO reserves.</p>	<p>Controls in place</p> <ul style="list-style-type: none"> • Regular monitoring of operating platform expenditure to reduce costs, improve effectiveness and maximise value for money. • Budgeting performance and monitoring systems that ensure use of unrestricted funds is maximised. • Commercial pricing models that ensure we build in margins whenever possible, including during commercial contract negotiations. • Involving the Programme Implementation Team in programme designs, ensuring programmes are adequately resourced by people and that all costs are covered by donor funds.

Risk and potential consequences	Risk management actions
	<ul style="list-style-type: none"> • Business pursuit system that enables effective decision making, including the need for firming up consortia, bidding decisions and decision to submit applications that are fully costed. • Integrating pricing and negotiation strategies in the business pursuit system. <p>Progress in the year</p> <ul style="list-style-type: none"> • Adding clear controls within the business pursuit process to enhance pricing and negotiation strategies. • Commercial contracting capabilities and donor financial proposal development have been strengthened to meet our full cost recovery requirements. • Guidance to help business pursuit with decisions for entering consortiums, including bidding for new work (or not). • Establishing a costing methodology for remote and e-volunteering that recovers full costs as part of a people costing methodology. <p>Further actions</p> <ul style="list-style-type: none"> • Training all VSO people on how full cost recovery is achieved, what is required to change in the organisation and the roles and responsibilities of all VSO teams in delivering the business model.

Governance

Structure, governance and management

Our organisational structure

Voluntary Service Overseas (VSO) is a company limited by guarantee, registered in England and Wales (registration number 00703509). VSO is also registered as a charity in England and Wales (registration number 313757).

VSO operates through the following subsidiary entities:

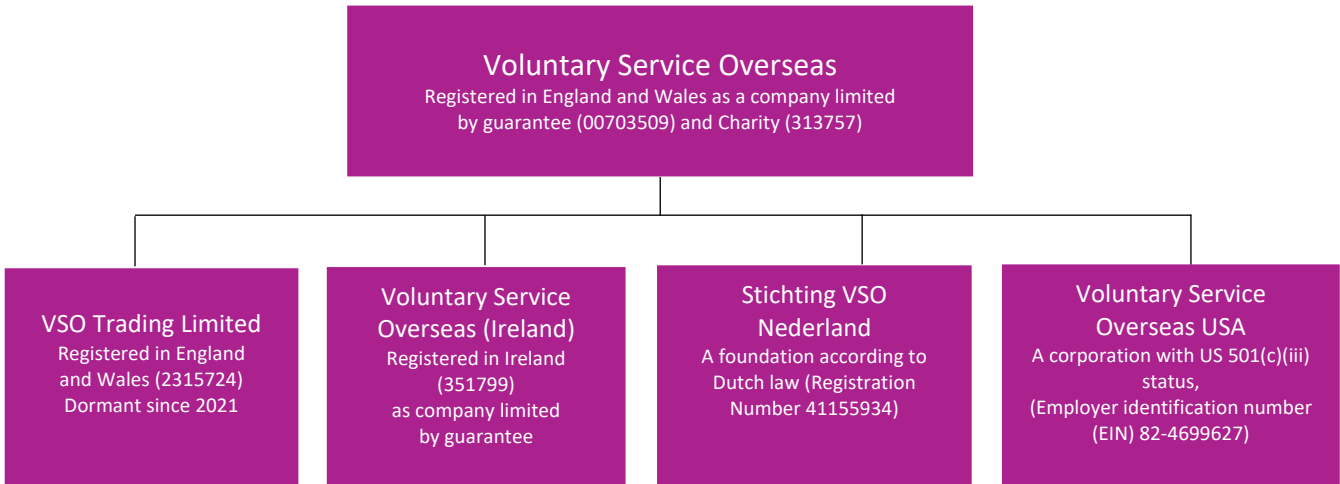
- Voluntary Service Overseas (Ireland) Company Limited by Guarantee, incorporated as a charitable entity in Ireland.
- Stichting VSO Nederland BV, a Dutch charitable organisation
- Voluntary Service Overseas USA, Inc. a US corporation with US 501 (c) (iii) status.
- VSO Trading Limited whose principal activity was delivery of non-charitable activities is now dormant.

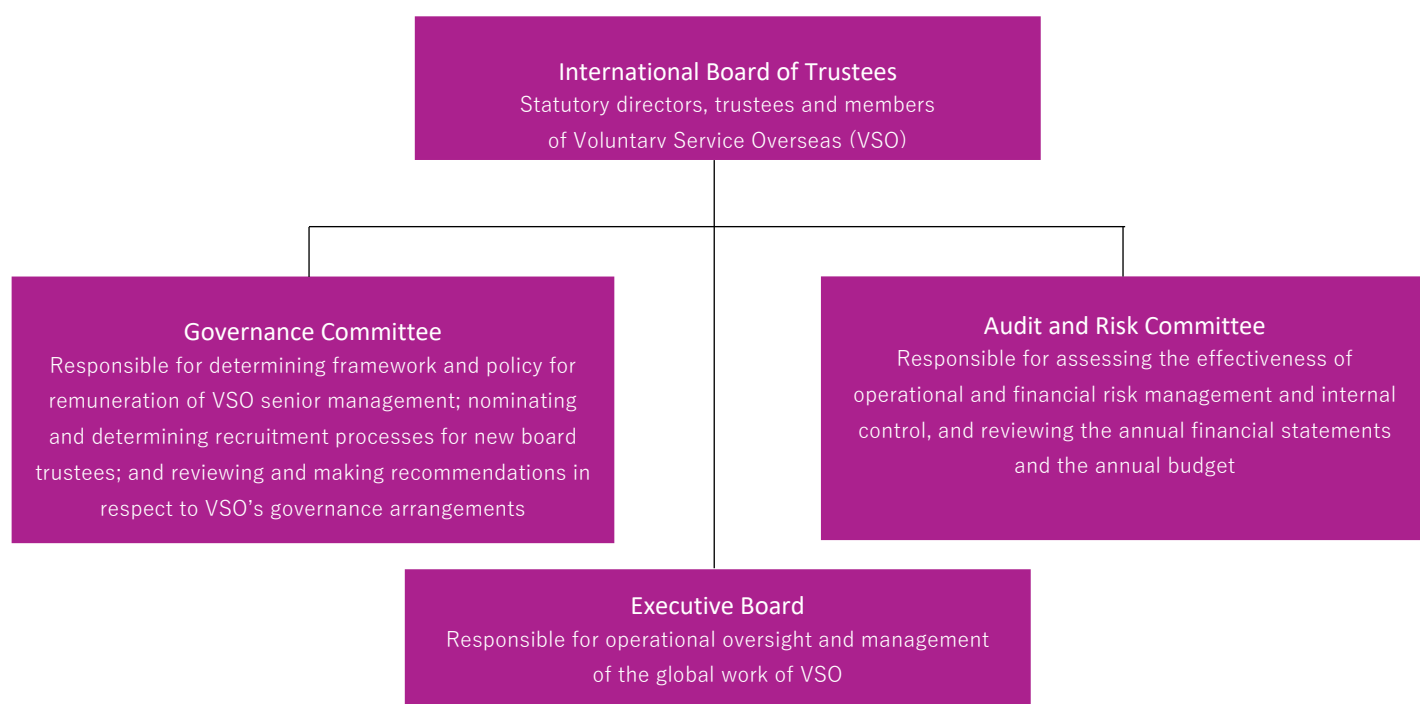
VSO operates otherwise internationally largely through branch offices.

This structure of branch offices and subsidiaries assists us to effectively deliver VSO’s mission globally. It helps us respond quickly to challenges and opportunities as well as reducing duplication of work and administration and to take advantage of tax exemptions where legally available.

Where relevant, binding agreements are put in place with our subsidiaries to govern their use of the VSO brand and trademarks and to protect and preserve financial controls and to agree how operations are carried out jointly. Appointment of directors to subsidiaries and branch offices is subject to Governance Committee approval in accordance with the VSO Schedule of Delegations.

We have deregistered in Scotland to reduce operating expenses of maintaining a rented office in Scotland. We still greatly value our Scottish supporters and continue to fundraise in Scotland.





Our governance and management

VSO is governed by an International Board of Trustees who set the strategic direction for VSO, are responsible for upholding the organisation's values, and ensure we meet our objectives. Some tasks of the International Board are delegated to board committees, which operate under clear terms of reference and reporting processes.

The International Board approves and monitors the implementation of VSO's long-term strategy, operational plan, objectives, budget, key policies, constitutional changes and the appointment of the Chief Executive Officer. They carry out their duties through a formal Schedule of Delegations, which specifies reserved decisions and records how operational authority is maintained.

The International Board usually meets three times a year in person and three times a year via video link. However, during the initial period of the COVID-19 pandemic – between April and November – the International Board was meeting more frequently – monthly and at times bi-weekly – to receive reports from the Executive Board on the risks, impact and mitigating actions applied because of the initial crisis and then to monitor VSO's position on cash and reserves levels. These were all virtual meetings. In addition to this, the Board met four times virtually as part of its regular governance oversight. The members receive management information on organisational performance on a quarterly basis.

Trustees

The International Board members are all unpaid trustees. They are usually appointed to the International Board for an initial period of three years, which can be extended for a further three-year period if there is willingness on both sides. Trustees are not remunerated but their expenses are reimbursed in accordance with VSO's expenses policy.

Trustees are recruited through an open selection process and receive a comprehensive induction on appointment. They also receive ongoing training and engagement throughout their term of office. They participate in country visits to VSO programmes and act as expert advisers to VSO working groups.

VSO's trustees are committed to compliance with the Charity Governance Code and regularly review VSO's charitable purposes and our trustee roles and time commitment. The latest such review took place in November 2020.

Review of performance of the International Board is a continuous process. The Governance Committee formally discuss how overall board performance might be improved. Feedback on board performance is sought from Board members and the senior executive team. All trustees are subject to annual appraisal. Individual trustees also make annual commitments to VSO over and above their responsibilities as directors and members.

International Board of Trustees

Sam Younger CBE *

Chair

Chair of CILEx Regulation; Chair of the Consumers' Association

Susan Hickey ^

Appointed 14 July 2020

Honorary Treasurer and Chair of Audit & Risk Committee

Group Finance and Investment Director, Igloo Regeneration; and non-executive director at various organisations

Susan Wardell, CBE *

Appointed 14 July 2020

Chair of Governance Committee

Board Member, Family Counselling Trust and Strategic Adviser; Director and Chair, Development Initiatives

Guus Eskens

Chair, VSO Netherlands Supervisory Board;

Board member of Health Net TPO, Amsterdam; Board member of the Netherlands Society for Tropical Medicine and International Health (Utrecht); Board member of the Knowledge Centre Global Health (Utrecht)

Julia Lalla-Maharajh OBE *

Appointed 14 July 2020

Consultant and Founder of the Orchid Project

Maurice Makoloo ^

Appointed 1 November 2020

Regional Director, Habitat for Humanity

Christopher Muwanguzi ^

Chief Executive, Child's i Foundation

Lara Naqushbandi ^

Appointed 1 November 2020

Finance Director, Google UK & Ireland

Aditi Thorat

Appointed 14 July 2020

Director of Development, Global Witness

Geoffrey Skingsley *

Appointed 1 November 2020

Non-executive Board Member Medecins sans Frontieres Foundation; Chairman, L'Oreal UKI; Member of the Global Leadership Council of the Said Business School in Oxford; member of the CBI's London Council Governance Committee

Former members International Board of Trustees

Charles Abani * (resigned May 2020)

Noerine Kaleeba (resigned July 2020)

Chris Merry ^ (resigned July 2021)

Amanda Rowlatt ^ (resigned July 2021)

Jose Gonsalves ^ Vacated his role as co-opted member of the Audit and Risk Committee in September 2020

* Governance Committee member ^ Audit and Risk Committee member

Trustees' duties

The trustees fulfil their duties both under charity law and company law through a formal governance framework which includes board approval of the strategic direction operating and expenditure plan, formal review of risk, and mitigations and monitoring performance data. They delegate certain board functions to board committees and through a Schedule of Delegations, daily decision making is delegated to the Chief Executive Officer and the Executive Board.

VSO's formal organisation and Board Committee structure and membership is set out on pages 50 and 51.

Board capability is reviewed regularly considering how the organisation is adapting to the changing operating environment.

Trustees serve terms of office as provided in VSO's Articles. They are appointed for an initial three-year term which may be renewed once. There is provision in VSO's Articles for the Chair to serve a third three-year term if appointed as Chair when already a trustee.

As trustees come to the end of their maximum permitted terms of office this presents opportunity for reviewing the need for new trustees particularly where specific gaps in skills are identified and bearing in mind the need for board diversity. Seven new appointments were made this year and two trustees completed their second term of three years in office.

A nominated board trustee has specific responsibility for supporting the executive around duty of care matters and in explicitly ensuring all board members are diligent in their attention to duty of care. The level of incidents and detail on critical and crisis incidents is reported to all board members on a quarterly basis.

During their tenure with VSO, trustees are briefed on their duties by the Chair of the Board and through professional advice either from the Company Secretary or if they judge it necessary, from an independent adviser. Trustees are supplied with an online trustee handbook containing all relevant governance documents, contact lists and VSO's Key Performance Indicators.

In keeping with our approach to learning, all trustees have permanent access to our VSO Learning Platform. They can access the key organisational documents from the trustee pathway; their role description, memorandum and articles, delegation of authority, organisation structure, committee terms of reference. This also signposts them to the most recent UK Charity Commission guidance for trustees.

During the year, trustees have fulfilled their duties regarding the following:

The likely consequences of any decision in the long term

All key strategic decisions with long-term impact on VSO's future are discussed in the relevant Board Committee and then by the Board as a whole. Each Board agenda will give time for an update on how long-term projects are progressing and all Board members are actively encouraged to raise their questions and any concerns, so that appropriate actions can be taken under the Board's oversight.

The interests of the company's employees

The Board defines VSO people as inclusive of employees, volunteers, consultants, suppliers and partners.

The Board ensures that the interests of the employees are considered through regular updates at Board and Committee meetings. The impact of major decisions on staff are discussed by the Board and its committees who also receive regular updates on staff pay, employee pensions scheme, health and safety, and safeguarding.

The new trustees to the Board have begun some virtual group conversations with employees and volunteers; introducing themselves, their view on the work we do, governance and VSO direction and inviting questions.

All the trustees have had the opportunity this year to participate in two virtual field visits to discover in more depth some of the projects we are implementing.

In line with VSO's inclusive approach, VSO global communications are available with captions to be inclusive of those who are hard of hearing.

Since the previous annual report, the Board has reviewed several of VSO's core policies including:

- Reserves Policy (November 2020)
- Data Protection (March 2021)
- Preventing Criminal Practices (July 2021)

The need to demonstrate inclusive ways of working between trustees

All Board members are recognised equally as trustees and directors and given opportunity to raise questions and issues. All have access to the CEO, Company Secretary and Chair. Communication directly between board members and members of the executive team, or VSO colleagues is actively encouraged.

To contribute to the ongoing review of board effectiveness the Board Chair maintains regular contact with all trustees to ensure they can raise concerns and questions. A dedicated review conversation happens at least annually.

The need to foster VSO's business relationships with supporters, implementing partners and suppliers

Our Knowledge, Evidence and Learning team systematically reviews and evaluates relationships with partners and primary actors, reporting results to the Board regularly. The Board receives updates on supporter and other complaints via the Audit and Risk Committee and discusses relationships with key stakeholders. At each Board meeting plans for key partnerships, donor relationships, and strategic suppliers are reported to the Board. Suppliers' interactions are supported by the Global Procurement Policy, ensuring transparent and fair selection processes. In addition to assessment through donor and statutory audits, VSO's internal audit function reviews procurement activity and shares outcomes with the VSO Board via the Audit & Risk Committee.

The impact of the company's operations on the community and environment

VSO has been training its programme teams, volunteers and partners across livelihoods, education and health

sectors to undertake risk assessments and resilience action planning to identify and reduce human, social, environmental, physical and economic vulnerabilities to climate change. The Board is updated with the positive impacts that are being made in communities. The Board also supported a global environmental impact assessment, receiving analysis of two years' worth of information. The results from this are being evaluated by management to propose plans to improve and reduce overall environmental impact. The environmental impact of our work is captured in detail in the Environmental Impact Assessment detailed on page 58.

The desirability of the company maintaining a reputation for high standards of business conduct

High standards of business conduct are underpinned by VSO's value of Integrity – taking a zero tolerance approach to abuse and harm, treating others with respect and being open transparent and accountable in what we do. The Board is keenly aware of the moral requirements of our mission.

All key stakeholders, partner organisations; donors, employees, volunteers, consultants are subject to a range of background checks, strict procurement guidelines are in place for the selection of suppliers. The key processes are audited by the Internal Audit team.

The Executive Board



Dr Philip Goodwin
Chief Executive Officer



Donné Cameron
Executive Director of Programmes



Kathryn Gordon
Executive Director of People



Fabienne Arminjon
Executive Director of Finance and Corporate Services



Scott Desmarais
Executive Director of Strategic Partnerships

Management through the Executive Board

The International Board delegates VSO's day-to-day management to the Executive Board. The Executive Board has operational oversight of VSO's work globally. There are four members of the Executive Board, the Chief Executive Officer, and three Executive Directors, they jointly hold accountability for the delivery of the VSO Operating Plan, leading across Programmes, People, Corporate Services and Business Pursuit.

The Executive Board meets at least weekly to oversee implementation of strategic and operational activity, allocate resources, set, and monitor standards and determine core approaches to how VSO works. The Executive Board undertakes a formal Quarterly Business Review of performance against VSO's operational and financial objectives. This is done in collaboration with colleagues across the organisation and specifically the Strategic Leadership Group. The Executive Board reports back on performance to the International Board through a regular performance report provided to all board members.

Scott Desmarais resigned from the VSO Executive Board with effect from 15th January 2021 to pursue his career in education in the USA.

Duty of care

In the last 12 months the general understanding of Duty of Care has taken on unique perspective. Individuals, communities, and nations have had to consider the local and global impact of their day-to-day habits and decisions as we all live through the COVID-19 pandemic.

VSO continued to approach duty of care as a fundamental element of how we operate, guided by our Code of Conduct, our approach to risk, our Safeguarding, Security and Safety, Anti-Bullying, People Resourcing, and Data Protection policies and the sector standards promoted by the UK government, Global Volunteering for Development Standards, Keeping Children Safe Standards.

The pivoting of our programmes and the necessary changes we had to make in implementation practice was strengthened by our understanding of “do no harm”. Our mandate is to implement development programmes with volunteers and partners in fragile and resource-scarce environments. Ensuring our employees, volunteers, partners, vendors, operations, and programmes do no harm is a prime responsibility for VSO. This is one of our seven key programming pathways. We build trust with those people through reinforcing our commitment to physical and psychological health and safety in their engagement with VSO.

We take all reasonable steps to ensure that

- we do not expose children, young people and other vulnerable people to the risk of discrimination, neglect, harm and sexual exploitation, abuse and harassment.
- we protect our employees and volunteers when they are vulnerable or at risk of harm.

The provision of online, and digital support for Duty of care training and awareness has been strengthened, working with interpreters and local staff.

Colleagues have been supported with professional and peer assistant to inform of the risks associated with online and remote working, develop coping mechanisms, and generate solutions for effective ways of working during the global COVID-19 pandemic.

VSO has continued to learn from and contribute to inter-agency support networks and safeguarding working groups, the VSO Executive and Global Safeguarding Team actively contribute to the INGO Safeguarding Leads Network. VSO is registered with the Misconduct Disclosure Scheme and contributing to the development of the sector initiatives with Interpol and the FCDO to develop further strength in background checking.

Our duty of care team of professionals in safeguarding, security and medical continue to adapt to the varied and fast-changing environments in which we deliver Volunteering for Development. Their approach is consultative and collaborative in generating individual and programme plans and responding 24/7. Specifically, with regard to safeguarding this is across People Management, People Resourcing, Programme Implementation, Medical, Safety and Security with the safeguarding team proactively sharing between practitioners.

Duty of care support was provided in a range of situations, COVID-19 outbreaks particularly in East and Southern Africa, and political unrest in Myanmar (Feb 2021)

Our Medical clearance assessments process was adapted to take account of the COVID-19 pandemic. Risk factors were identified, and much time was spent with individuals discussing personal risk and risk to others. 100 people went through this adapted clearance process before a travel risk assessment was undertaken to mitigate potential risks during their journey to a new place of work.

Medical, security and safeguarding incident categories are defined at VSO to aid with appropriate response and consistent reporting.

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

Safety and security incidents can range from nonviolent robbery or police detention, political or civil unrest near to volunteer locations, natural disasters, accidents, and potentially hazardous conditions which can include fragile and hostile environments.

Safeguarding incidents are defined as any act of discrimination, neglect, harm, or abuse. They can include sexual harassment (unwelcome sexual advances without touching), sexual assault (sexual touching without consent), sexual exploitation and rape. VSO places a mandatory obligation on all employees, volunteers, contractors, and partners to report safeguarding concerns, suspicions, allegations, and incidents that indicate actual or potential abuse or exploitation of vulnerable people. Twenty-one safeguarding investigations were commissioned during the year. Nine of these were requests about protection and seeking advice they were not related to VSO activities. The VSO team provided some signposting of advice and assistance.

Medical, security and safeguarding incidents reported 2020/21	Medical	Security	Safeguarding
Across the whole VSO global portfolio of work	18	34	21

Reporting and whistleblowing

VSO has zero tolerance of corrupt practices of any type or in any circumstances.

We aim to maintain the highest standards of openness, decency, integrity and accountability in our work. Everyone who works with or for VSO must be vigilant for signs of wrongdoing or criminal activity and are encouraged to report suspicions about criminal practices, misconduct, or serious concerns about any aspect of VSO's work in accordance with our whistleblowing process. Our Whistleblowing Policy encourages anyone to report any serious concerns they have, without fear of punishment or unfair treatment.

VSO's systems to protect confidentiality and offer anonymity aim to keep a whistle-blower safe. To ensure the safety of whistle-blowers, VSO undertakes to treat all whistleblowing reports as either confidential or anonymous. The choice between confidential or anonymous whistleblowing is entirely that of the whistle-blower.

VSO's Criminal Practices Policy underpins our operational practice in the areas of fraud and risk. This Policy requires all incidents or allegations of fraud, loss, and bribery to be reported regardless of financial materiality and ensures a consistent approach to fraud awareness, prevention, reporting, and investigations across VSO.

We have mandatory online training on criminal practices and whistleblowing for all staff and volunteers. The Executive Board and Senior managers often remind People of their duty to report any wrongdoing through various channels so the process of reporting is fully understood.

Serious incidents have been reported to the relevant donors and UK bodies, including the Charity Commission, as appropriate, and in accordance with VSO serious incident reporting protocol.

Despite our enhanced approach to fraud prevention, the reality is that from time to time we will be victims of corrupt practices. During the year, 31 suspicions were reported and investigated of which 16 were found to be unsubstantiated, 10 were substantiated, and 5 are under investigation. These include incidents of falsification of expenses by staff, inflated procurement and collusion by staff with vendors, and false beneficiary information. In total the cost to VSO in matters related to fraud and losses after recovered amounts was £56,500.

Our approach to pay

To deliver our mission, VSO continues to attract high quality, committed people who can drive organisational performance.

Our pay philosophy is based on the principles of fairness, internal equity, and external competitiveness to support the wider agenda of equity, localisation, and accountability.

VSO does not operate a bonus scheme. We use one pay scheme for all employees; we do not operate a dual system for national staff and international staff. We are a supporter of the work of Project FAIR.

To realise on these principles, we pay the appropriate rate for the role in each country where we operate. External competitiveness is achieved by benchmarking salaries against actual pay for similar positions in comparable organisations, in the location of the work, we benchmark annually.

The banding level for each role is determined by considering:

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

Our leaders and managers work with our employees to support their performance and development in role. Our recruiters and hiring managers discuss with applicants the rationale behind the way in which our pay practice is linked to dismantling the broader historical and colonial dynamics of power and privilege within the sector.

We recognise and incentivise our people to perform by creating a positive working environment and providing interesting and purposeful roles. We are working through an organisational redesign to generate increased accountability for each of our colleagues in their role and to recognise the necessity of collaborating for high performance.

Gender pay gap reporting for UK employees

Gender pay reporting is a statutory requirement in the UK for employers with more than UK 250 based employees. VSO employees 114 people in the UK.

To demonstrate transparency VSO has reported its gender pay gap in the UK, since 2017.

On 5 April 2021, the difference in mean (average) pay between female and male employees in the UK was 8.2% (compared to 7.43% to 5 April 2020). The difference in median pay between female and male employees in the UK is 4.57%.

Modern slavery statement

Modern slavery is a global crime resulting in an abhorrent abuse of dignity and human rights which disproportionately affect women and children. Modern

slavery is deeply incompatible with the ethos of VSO. VSO takes a position of zero tolerance towards trafficking in human beings for sexual and labour exploitation and all forms of modern slavery. VSO's zero tolerance position extends to all those working for, and in collaboration with, VSO. VSO believes that all those working for VSO should not engage in activities and/or be involved with entities that violate human rights.

VSO is committed to taking proactive steps both at global and location level with the aim of ensuring that modern slavery does not exist at any level of the organisation and that the best possible support, care and compassion is provided to any victims of this crime with whom VSO comes into contact.

VSO has in place policies, procedures and processes to combat the risk of modern slavery. However, VSO recognises that more can be done to combat this risk.

Further information about the framework VSO has in place to combat the risk of modern slavery and the actions VSO plans to take over the next financial year can be found in VSO's Modern Slavery Statement on our website: vsointernational.org/about/policies-and-statements/statement-on-modern-slavery.

Our approach to fundraising

We raise a significant percentage of our funds from the public and our aim is to ensure we do this in both a respectful and compelling way, adhering to high standards. We take our commitments in this area very seriously. VSO's policy can be found at vsointernational.org/privacy.

VSO adheres to the Charities (Protection and Social Investment) Act 2016. We are a proud member of the Fundraising Regulator and pay an annual levy as required. In addition, we are a member of the Institute of Fundraising, and actively follow the Code of Fundraising Practice.

VSO has a safeguarding policy which guides us on how to respect people in vulnerable situations. Training is given to ensure that there is not unreasonable intrusion on a person's privacy, to protect vulnerable people, and to ensure no undue pressure is given.

We aim to inspire our supporters to help us tackle poverty and seek to raise funds from a diverse range of sources. In our recruitment and retention of supporters in 2020/21 we used the following channels: direct mail, telemarketing, email communications, and digital advertisement.

We monitor complaints and take on board feedback to help us improve our fundraising approach, our systems and internal processes, as well as the work undertaken for us through external agencies.

VSO continues to report to the Fundraising Regulator on the number of complaints received in response to our fundraising activity. In 2020/21 this number totalled 9. Our Supporter Care team examines every complaint, responding within three working days. We do all we can to resolve complaints and ensure that supporters are happy to be part of our work.

VSO has not had any investigations from the Fundraising Regulator regarding complaints in 2020/21.

We must invest in our fundraising in order to achieve our plans to increase our scale, influence and impact to create a fair world for everyone. We monitor our spending in all areas of our fundraising activity to measure our impact and returns. We recognise that growth is dependent on sound investment.

We are introducing a single supporter view of all VSO's individual supporters. This will enable us to make significant improvements to communications effectiveness through testing and supporter insight and improved targeting and tailoring.

As we expand our public fundraising activity, it is vital that we communicate with our supporters in the way they prefer, and we are very keen to respect their privacy and communication preferences. VSO supports measures that will improve public trust and support for the sector and has in place a Global Ethical Fundraising policy.

Our approach to data protection

We are committed to protecting the personal data of all individuals whose personal data is processed by us. We ensure that we use it only for clear and stated lawful reasons, and that we store and transfer it safely in line with the requirements and principles of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018.

We operate a compulsory awareness training programme for all staff and volunteers to be completed as part of VSO induction and we monitor compliance.

As part of our programme design process we complete privacy impact assessments prior to processing personal data in cases where that processing may give rise to high risks to data subjects. In this way we ensure that we know that the processing is lawful and that we can mitigate risks. We integrate data protection into our programmes and in so doing we consider the likelihood and impact of our processing on the rights and freedoms of data subjects.

During the year we discovered one potential data breach. In this matter and in the small number of occasions where a minor data breach has occurred, we have recorded the details on our data breach log and have in each case conducted a learning session to mitigate the risks of a similar breach occurring in future.

Environmental impact assessment

Our drive towards greater sustainability

Our commitment to monitoring and reducing our environmental impact continues this year, despite the challenges posed by the global pandemic. Last year we set a target of 20% reduction for the year which we met; however, the figures should be looked at in the context of the global pandemic and the impact it has had on international travel.

As an organisation that works across 29 countries, a large part of our carbon is the result of air travel; the border restrictions, coupled with our commitment to protecting our volunteers and local communities from coronavirus transition, has meant a dramatic decrease in international travel and thus our carbon footprint.

Streamlined Energy & Carbon Reporting

Energy consumption: (kWh)	2020-21 UK '000	2020-21 Non-UK '000	2020-21 Global '000	2019-20 Global '000
Electricity	170	213	383	664
Gas	4	-	4	42
Fuel for electricity generation and transport	-	439	439	2,549
Total energy consumption	174	652	826	3,255
Emissions (tCO ₂ e)	UK	Non-UK	Global	Global
Scope 1				
Emissions from combustion of gas in buildings	1	-	1	10
Emissions from combustion of fuel for electricity generation	-	104	104	517
Scope 2				
Emissions from purchased electricity (location based method *)	40	118	158	315
Total Scope 1 & 2 emissions	41	222	263	842
Scope 3				
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	-	-	-	130
Emissions from upstream transport and distribution losses and excavation and transport of fuels	9	58	67	221
Total Scope 3 emissions	9	58	67	351
Total emissions for mandatory reporting	50	280	330	1,193
Intensity (tCO ₂ e / £ million turnover)	UK	Non-UK	Global	Global
Revenue £m			49	60
Intensity ratio: tCO ₂ e / £m			6.7	20
Optional Scope 3				
Emissions from business travel – air	19	105	124	4,703
Emissions from business travel – road	-	7	7	498
Emissions from business travel – rail	-	-	-	46
Total emissions from business travel (third-party vehicles)	19	112	131	5,247
Total emissions for Scopes 1, 2, & Scope 3 (Categories 3 & 5)	69	392	461	6,441
Intensity (tCO ₂ e / £ million turnover)			Global	Global
Intensity ratio: tCO ₂ e / £m			9.3	107

*Location based electricity (Scope 2) emissions use the average grid fuel mix in the region or country where the electricity was purchased and consumed. For SECR, location based is mandatory.

Calculating our carbon impact

The 2020-21 figures cover the periods of 1st April 2020 to 31st March 2021. It details the carbon emissions from the 29 countries in which we worked this year. It includes:

- Business travel (road, rail and air travel for our staff and volunteers)
- Energy consumption (gas and electricity use from our global office locations)
- Fuel (petrol and diesel for VSO's owned and hired vehicles and for electricity generators)
- Reviewing our procurement policies and setting minimum environmental standards for our suppliers.

Comparison with last year

The 69% reduction in Scope 1 & 2 emissions can be attributed to many colleagues working from home, in line with local public health guidelines, and reduced programme activities during the pandemic. This has invariably transferred energy consumption from the office to people's homes so we are exploring ways to measure this shift in the future, should home working become a permanent feature in the ways we work.

Scope 3 emissions, which encompass all business travel, saw the biggest drop of 81%, which is unsurprising given the restrictions on international travel.

Moving forward we have set an aggressive target of a 50% reduction over 3 years, using the period 2019-20 as a reference point.

We continue to strengthen our sustainability practices and intend to build on the changes in ways of working which COVID-19 accelerated by

- Setting internal carbon budgets to actively manage international travel against clear development outcomes
- Assessing travel needs to international meeting and events in a systematic way and allow for only essential travel
- Finding alternatives to large international conferences by more frequent digital collaboration
- Regular reporting to raise awareness on the scale and impacts of international travel
- Conducting annual carbon assessments and sharing the results with our employees

Measuring our operations' impact on the environment is only one aspect of our efforts, additionally, we are developing longer term environmental strategies for delivering more sustainable programmes. A cross organisational team has started integrating environmental sustainability into the volunteer standards. We have also defined our environmental sustainability process for programme design which will be piloted in the next programme period.

Reference and administrative details

Charity name: Voluntary Service Overseas (VSO)

Charity registration: 313757 (England and Wales)

Company registration: 00703509

Registered office: 100 London Road, Kingston upon Thames KT2 6QJ

Company secretary: Jenny Owen

Objects

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

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

Public benefit

VSO is a registered charity which acts at all times in accordance with its Articles. The activities undertaken by VSO to further its purposes for the public benefit are described throughout this Report.

The trustees have at all times had due regard to the Charity Commission's guidance on public benefit.

Governing document: Voluntary Service Overseas (limited by guarantee) is governed by its Articles of Association

Royal patron: HRH The Princess Royal

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

Auditors: Crowe U.K. LLP, 55 Ludgate Hill, London EC4M 7JW

For more information

Website: www.vsointernational.org

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Have a question or feedback?

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

Statement of Trustees' responsibilities

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

Company law requires the charity trustees to prepare financial statements for each financial year. 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 charitable company and the group, and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

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

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable group's transactions, disclose with reasonable accuracy at any time, the financial position of the charitable group and enable them to ensure that the financial statements comply with the Companies Act 2006, and the provision of the charity's constitution.

They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on disclosure to our auditors

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

- There is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware.
- The trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
- This report, incorporating the strategic report, was approved by the trustees in their capacity as company directors. The charity trustees (who are also the directors of VSO for the purposes of company law) are responsible for preparing an annual report and financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

By order of the Board of Trustees



Sam Younger
Chair
23 September 2021

Financial Statements

Independent auditor's report

to the members and trustees of Voluntary Service Overseas

Opinion

We have audited the financial statements of Voluntary Service Overseas ('the charitable company') and its subsidiaries ('the group') for the year ended 31 March 2021 which comprise the consolidated statements of financial activities, the consolidated balance sheet, the consolidated cashflow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2021 and of the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 50, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this

context for the UK operations were General Data Protection Regulation (GDPR), anti-fraud, bribery and corruption legislation, taxation legislation and employment legislation. We also considered compliance with local legislation for the group's overseas operating segments.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of grant and contract income and major donations and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit, legal counsel and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and

transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

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

N. Hashemi

Naziar Hashemi
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
Date: 6th October 2021

Consolidated statements

of financial activities for the year ended 31 March 2021

Income and expenditure	Note	Unrestricted funds 2021 £'000	Restricted funds 2021 £'000	Total 2021 £'000	Unrestricted funds 2020 £'000	Restricted funds 2020 £'000	Total 2020 £'000
Income							
Donations and legacies							
Institutional grants	2a	107	23,878	23,985	166	17,790	17,956
Other donations	2b	7,968	53	8,021	7,349	505	7,854
Charitable activities							
FCDO Volunteering for Development grant	2c	-	11,507	11,507	-	16,006	16,006
ICS contract with FCDO		5,647	-	5,647	15,366	-	15,366
Other trading activities	2d	265	-	265	1,941	4	1,945
Bank interest		9	-	9	118	-	118
VAT rebate		-	-	-	941	-	941
Total income		13,996	35,438	49,434	25,881	34,305	60,186
Expenditure							
3							
Raising funds		5,071	-	5,071	5,916	-	5,916
Charitable activities							
Inclusive education		3,064	14,807	17,871	4,243	14,212	18,455
Health		1,552	6,557	8,109	2,650	4,542	7,192
Resilient livelihoods		2,991	5,189	8,180	6,929	10,385	17,314
Core approaches*		1,146	4,693	5,839	1,910	6,095	8,005
ICS consortium partners		1,819	-	1,819	5,797	-	5,797
Interest payable and similar costs		62	-	62	45	-	45
Operating expenditure		15,705	31,246	46,951	27,490	35,234	62,724
Exceptional item	12	-	-	-	(776)	-	(776)
Total expenditure		15,705	31,246	46,951	26,714	35,234	61,948
Net operating income/(expenditure)	4	(1,709)	4,192	2,483	(1,609)	(929)	(2,538)
Net income/(expenditure)		(1,709)	4,192	2,483	(833)	(929)	(1,762)
Other recognised gains/(losses)							
Actuarial gains/(losses) on defined benefit pension schemes	19	(78)	-	(78)	73	-	73
Exchange translation difference arising on consolidation		-	-	-	12	-	12
Net movement in funds		(1,787)	4,192	2,405	(748)	(929)	(1,677)
Transfer of funds	13	-	-	-	-	-	-
Reconciliation of funds							
Total funds brought forward		15,188	4,044	19,232	15,936	4,973	20,909
Total funds carried forward		13,401	8,236	21,637	15,188	4,044	19,232

*VSO's core approaches are social inclusion and gender, resilience and social accountability.

All amounts relate to continuing activities. The notes on pages 66 to 84 form part of these financial statements.

Balance sheet

As at 31 March 2021

	Note	Group 2021 £'000	Charity 2021 £'000	Group 2020 £'000	Charity 2020 £'000
Fixed Assets					
Tangible assets	8a	325	298	502	466
Intangible	8b	36	36	54	54
Investments	9	-	2,892	-	2,892
Total Fixed Assets		361	3,226	556	3,412
Current Assets					
Debtors	10	6,316	6,829	13,285	14,068
Short-term cash deposits		14,959	14,959	11,891	11,002
Cash at bank and in hand:					
In the UK and held by group subsidiaries		5,871	2,010	4,454	1,787
ICS working capital advance		-	-	3,429	3,429
Overseas		1,918	1,918	3,095	3,095
Total current assets		29,064	25,716	36,154	33,381
Liabilities					
Creditors: amounts falling due within one year	11a	(4,062)	(3,894)	(13,090)	(12,792)
Net current assets		25,002	21,822	23,064	20,589
Total assets less current liabilities		25,363	25,048	23,620	24,001
Creditors: amounts falling due after one year	11c	(399)	(399)	(306)	(306)
Provisions for liabilities	12	(3,327)	(3,327)	(4,082)	(4,082)
Total net assets		21,637	21,322	19,232	19,613
Restricted funds					
Income funds	13,15	8,236	6,732	4,044	3,873
Unrestricted funds					
General fund	14,15	12,821	14,037	13,657	14,245
Designated funds	14,15				
Pension deficit repayment plan fund		(2,286)	(2,286)	(2,708)	(2,708)
Change programme fund		522	522	868	868
ICS fund		-	-	500	500
Fixed asset fund		361	334	556	520
Income generation		1,983	1,983	2,315	2,315
Total unrestricted reserves		13,401	14,590	15,188	15,740
Total funds		21,637	21,322	19,232	19,613

The notes on pages 66 to 84 form part of these financial statements.

The financial statements were approved by the Board of Trustees and authorised for issue on 23 September 2021.



Susan Hickey
Honorary Treasurer on behalf of the Trustees

Consolidated cashflow statement for the year ended 31 March 2021

	Note	Group 2021 £'000	Group 2020 £'000
Cash flows from operating activities			
Net cash provided by operating activities		340	(1,444)
Cash flows from investing activities			
Interest received		9	118
Proceeds from sale of assets	8	40	-
Purchase of property, plant and equipment	8	(510)	(963)
Net cash provided by / (used in) investing activities		(461)	(845)
Change in cash and cash equivalents in the reporting period		(121)	(2,289)
Cash and cash equivalents at the reporting period		22,869	25,158
Total cash and cash equivalents at the end of the reporting period		22,748	22,869
Reconciliation of net income to net cash flow from operating activities			
Net income for the reporting period (as per the statement of financial activities)		2,483	(1,762)
Adjustments for:			
Depreciation charges	8	705	1,143
(Gain)/losses on disposal of fixed assets	8	(40)	2
Interest received		(9)	(118)
(Increase) / decrease in debtors	10	6,969	(727)
Increase / (decrease) in creditors falling due within one year	11a	(9,028)	1,343
Increase / (decrease) in creditors falling after one year and provisions	11c,12	(662)	(1,410)
Effect of exchange rate changes on subsidiary consolidation		-	12
Accounts related to the defined benefit pension scheme included within the statement	19	(78)	73
Net cash provided by operating activities		340	(1,444)
Analysis of cash and cash equivalents			
Cash at bank and in hand		7,789	10,978
Short-term cash deposits		14,959	11,891
Total cash and cash equivalents		22,748	22,869

Notes forming part of

the financial statements for the year ended 31 March 2021

1. Accounting Policies

Basis of preparation

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

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

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

Group financial statements

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

- Pension liabilities – The charity recognises its liability to its defined benefit multi-employer pension scheme, which involves several estimations (see note 19).
- Overseas tax liability – The charity has recognised a liability based on prudent estimations provided by tax advisers (see note 12).
- Due to the range and complexity of the group's funding streams, revenue recognition is deemed to be an area that requires judgement to appropriately apply the income accounting policies explained in income recognition accounting policy

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

Fund accounting

Reserves policies are given on page 39-40 of the strategic report. Reserves are either unrestricted or restricted funds.

Restricted funds represent income to be used for a specific purpose as requested by the donor. Income and expenditure on these funds are shown separately within the statement of financial activities.

Unrestricted funds are those that have not had a restriction placed on them by the donor and are available to spend on activities that further any of the purposes of the charity. Designated unrestricted funds are those which the trustees have decided at their discretion to set aside to use for a specific purpose (see note 14).

Income

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

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

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

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

Pro bono services and gifts in kind for use by the charity are valued at the estimated value to the charity.

Gift aid recovered on donations is treated as part of the related gift unless specified otherwise by the donor or in the terms of the appeal.

Expenditure and basis of allocation of costs

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

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

Under Charities SORP (FRS 102), VSO has chosen to report its charitable expenditure by the three thematic areas and the core approaches set out in its strategic plan.

Support costs are apportioned between raising funds and charitable activities based on headcount

of fundraising teams. The charitable element is apportioned across thematic areas based on the proportion of direct costs incurred across those practice areas.

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

Grants and consortium payments

The majority of our charitable work is carried out by making grants to partner organisations. Grants are made within our agreed strategies. Grants for development programmes tend to be given on a three-year basis. Project proposals are subject to a formal approval process before individual grants are approved. All projects are systematically monitored for the duration of their existence, and major projects are subject to a final evaluation process. VSO also disburses grants to a range of donor-approved grantees. The selection, monitoring and evaluation of the performance of these grantees are subject to contract-specific performance measures. Also included under this heading are contract payments made to the consortium partners of the ICS Programme. These grants and contract payments are recognised as expenditure in the year they are due.

Taxation and irrecoverable VAT

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

Where VSO is unable to recover VAT that is incurred on purchases of goods and services in the UK it is charged as a cost against the activity for which the expenditure was incurred.

Pension costs

Pension contributions paid by the charity in respect of employees to a defined contribution scheme are charged to the statement of financial activities when they become payable (see note 19).

Pension contributions paid by the charity in respect of employees to a defined benefit, multi-employer scheme are charged to the statement of financial activities when they become payable. This is in line with FRS 102 requirements for multi-employer schemes where the assets are co-mingled for

investment purposes, and benefits are paid out of the scheme's total assets (see note 19). A provision has been recognised for the present value of VSO's contribution to the agreed deficit reduction plan (see notes 12 and 19 for further details).

Foreign exchange transactions

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

Operating leases

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

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

Fixed and intangible assets and depreciation

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

Depreciation is charged over the useful economic life of an asset on a straight line basis as follows:

Assets held in the UK and subsidiaries

Leasehold improvements	Length of the lease
Furniture, equipment, fixtures and fittings	5 years
IT hardware and software	4 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 outside of the UK in the year of acquisition, in view of the uncertainty of conditions in the operating environment. It is the charity's policy to record these assets as disposals after three years.

Investments

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

100% shareholding in VSO Trading Limited	Stated at cost
100% ownership of Voluntary Service Overseas (Ireland) Limited	Stated at cost
100% ownership of Voluntary Service Overseas (Netherlands) Limited	Stated at cost
100% ownership of Voluntary Service Overseas USA, Inc.	Stated at cost

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

Financial instruments

VSO has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at the present value of future cash flows (amortised cost).

Financial assets held at amortised cost comprise cash at bank and in-hand, short-term cash deposits and the debtors excluding prepayments and accrued income. Short-term deposits are held when cash in hand temporarily exceeds operational requirements.

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

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

Provisions

Provisions are recognised where VSO has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party, and the amount due to settle the obligation can be estimated reliably. A provision is recognised where there is uncertainty regarding the timing or the amount (see note 12). Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Going Concern

We have set out in this report a review of VSO's financial performance, the reserves position and principal risks and uncertainties. In light of the ongoing COVID-19 pandemic and the delays in funding related to the merger of DFID and the UK Foreign & Commonwealth Office, VSO continues to undertake regular scenario-planning exercises. Those include projections of income and planned expenditure, including financial and cashflow, to forecast how various outcomes might affect VSO's operations in 2021 and going forward, taking into account the risk of decreased income from various sources and the ability of VSO to implement its activities across the globe. The results of the scenario planning have been used during the year to start re-aligning VSO's cost base to the new level of activities and as a basis from which to formulate a model for strategic planning. As described throughout this report, in 2020/21, VSO has demonstrated it can adapt to the situation, nevertheless VSO remains alert to ongoing uncertainties and risks. As detailed in our reserves policy, we hold general reserves

to provide cover for unexpected changes in income and expenditure to allow us to adjust our cost base and continue activities. We will continue to monitor the situation and manage our finances accordingly. The results of the most recent scenario planning, together with VSO's current level of unrestricted reserves, and a continuation to shift to a more adaptable unrestricted cost structure, indicates that VSO has sufficient resources to continue in operational existence for the foreseeable future.

The trustees therefore have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of these financial statements, and are not aware of any other material uncertainties which may adversely affect the organisation. Accordingly, the financial statements continue to be prepared on the going concern basis.

2. Income analysis

a. Institutional grants	Unrestricted funds 2021 £'000	Restricted funds 2021 £'000	Total 2021 £'000	Total 2020 £'000
Governmental bodies				
Australian Department for Foreign Affairs and Trade	-	-	-	1,309
British Council	-	344	344	448
FCDO – other funding	-	6,360	6,360	7,353
European Union	-	975	975	1,081
Global Affairs Canada	-	855	855	321
Global Partnership to End Violence Against Children	-	650	650	-
Irish Aid	-	(3)	(3)	198
KfW	-	2,350	2,350	596
Ministry of Foreign Affairs of the Netherlands	-	1,612	1,612	-
Norwegian Embassy	-	724	724	1,321
Scottish Government	-	71	71	64
UK HMRC Coronavirus Job Retention Scheme	-	692	692	-
UN Agencies	-	1,260	1,260	1,875
USAID	-	67	67	82
Other public funding	71	87	158	347
Total governmental bodies	71	16,044	16,115	14,995
Non-government bodies				
Companies	15	181	196	1,784
Trusts and Foundations	2	6,479	6,481	733
National Lottery Community Fund	-	-	-	27
Other charitable organisations	19	1,174	1,193	417
Total non-government bodies	36	7,834	7,870	2,961
Total Institutional grants	107	23,878	23,985	17,956

2. Income analysis (continued)

b. Other donations	Unrestricted funds 2021 £'000	Restricted funds 2021 £'000	Total 2021 £'000	Total 2020 £'000
Individuals	6,319	29	6,348	6,821
Legacies	1,525	-	1,525	836
Gifts in kind and pro bono services	124	24	148	197
Total donations and legacies	7,968	53	8,021	7,854

c. Charitable activities	Unrestricted funds 2021 £'000	Restricted funds 2021 £'000	Total 2021 £'000	Total 2020 £'000
Volunteering for Development	-	11,507	11,507	16,006
ICS	5,647	-	5,647	15,366
Total charitable activities income	5,647	11,507	17,154	31,372

d. Other trading income	Unrestricted funds 2021 £'000	Restricted funds 2021 £'000	Total 2021 £'000	Total 2020 £'000
Lettings	172	-	172	208
Community projects	3	-	3	4
Events	6	-	6	63
Volunteer fundraising	44	-	44	1,589
VSO Shop	-	-	-	1
Sale of assets	40	-	40	80
Total other trading income	265	-	265	1,945

3. Charitable activities and support costs

a. Charitable activities

	Grants to partner organisations £'000	Direct staff costs £'000	Other direct costs £'000	Apportioned support costs £'000	Total costs 2021 £'000	Total costs 2020 £'000
By practice area						
Inclusive education	1,579	6,471	7,699	2,122	17,871	18,455
Health	1,478	2,913	2,757	961	8,109	7,192
Resilient livelihoods	447	3,736	3,032	965	8,180	17,314
Core approaches*	1,432	2,490	1,220	697	5,839	8,005
ICS consortium partners						
Raleigh International	1,087	-	-	-	1,087	3,635
Restless Development	732	-	-	-	732	2,162
Total ICS consortium partners	1,819	-	-	-	1,819	5,797
Total	6,755	15,610	14,708	4,745	41,818	56,763

*VSO's core approaches are social inclusion and gender, resilience and social accountability.

Charitable activities (excluding apportioned support costs) include pro bono services valued at £24,000 (2020: £197,000).

b. Analysis of support costs

	Governance and CEO costs £'000	Facilities and purchasing £'000	Human resources £'000	Finance and corporate performance £'000	IT £'000	Total costs 2021 £'000	Total costs 2020 £'000
Inclusive education	366	383	431	461	481	2,122	1,567
Health	166	173	195	208	219	961	651
Resilient livelihoods	166	175	196	209	219	965	1,843
Core approaches	119	125	141	151	161	697	669
Apportioned support costs - charitable activities	817	856	963	1,029	1,080	4,745	4,730
Raising funds	114	120	135	143	150	662	682
Total apportioned support costs	931	976	1,098	1,172	1,230	5,407	5,412

Apportioned support costs include pro bono services valued at £119,000 (2020: £141,000).

Governance and CEO costs include costs directly related to the charity's Chief Executive Officer role, including remuneration, travel and executive assistance, of £179,000 (2020: 216,000). Refer to Note 6 for remuneration details.

4. Net incoming resources

Net movement in funds is stated after the following charges:

	2021 £'000	2020 £'000
Auditors' remuneration (exclusive of VAT)		
Fees payable for the audit of the charity's annual accounts	39	39
Fees payable for the audit of the charity's subsidiaries	32	36
Fees payable for grant-specific audits	21	11
Fees payable for overseas tax consultancy	2	43
Fees payable for VAT services	2	35
Other services	22	14
Total fees payable to the charity's auditors	118	178
Depreciation		
Assets in the UK and held by group subsidiaries	195	255
Assets held overseas	510	888
Total depreciation charges	705	1,143
(Gain)/loss on exchange rate movements (realised and unrealised)		
Realised (gains)/losses	(180)	165
Unrealised (gains)/losses	709	(447)
Total (gain)/loss on exchange rate movements	529	(282)

Unrealised gains and losses on exchange rate movements occur predominately from the translation of non-sterling cash balances for reporting purposes.

5. Trustees remuneration and expenses

The trustees received no remuneration or other benefits during the year (2020: £nil). Trustees are reimbursed for their travel and accommodation expenses in attending meetings, visiting programmes overseas, and other activities undertaken on behalf of the charity. Expenses reimbursed to trustees or paid for on their behalf amounted to nil (2020: £8,359), paid to nine trustees (2020: 9).

6. Employee benefits including the cost of key management personnel

	2021 £'000	2020 £'000
Salaries and wages*	17,671	19,186
Social security costs	1,098	1,316
Pension costs	1,103	1,016
Other employee benefits	1,227	1,380
Temporary staff	75	231
Total	21,174	23,129

* Excluding overseas tax provision - see note 12

The 2021 wages and salaries figure above does not include an amount of £778,000 (2020: £307,000) relating to termination costs. ICS project closure in 2021 resulted in termination of all project roles, as was planned and reserves designated in previous years.

The table below shows the number of individual staff whose employee benefits, excluding employer pension costs, were in bands during the financial year

	2021 £'000	2020 £'000
£60,001 - 70,000	19	13
£70,001 - 80,000	7	6
£80,001 - 90,000	7	3
£90,001 - 100,000	7	6
£100,001 - 110,000	-	4
£110,001 - 120,000	1	-
£120,001 - 130,000	-	-
£130,001 - 140,000	2	2
£140,001 - 150,000	-	1
£150,001 - 160,000	-	1
Total	43	36

Total benefits, excluding employer pension costs, disclosed in the above bands include termination costs of £255,020 (2020: £72,000), and health benefits, housing, dependents' education, relocation / travel allowances totalling £301,000 (2020: £435,000).

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

The executive team is made up of five members, although one role was vacant for a portion of the 2021 year. The total compensation costs, including employer's National Insurance contributions, pension and termination costs was £608,000 (2020: £670,000). As part of our COVID-19 response, the compensation of the executive team was adjusted down for part of the 2021 financial year. The Chief Executive Officer's salary, excluding pension contribution and taxes, for the year was £135,000 (£141,000 for 2020).

7. Employee numbers

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

	2021 Headcount	2021 FTE	2020 Headcount	2020 FTE
UK and subsidiaries based	198	185	223	208
Overseas based	462	461	565	564
Total	660	646	788	772

8. Fixed assets

a. Tangible fixed assets	Leasehold improvement £'000	Furniture, equipment, fixtures and Fittings £'000	IT hardware £'000	Assets held overseas £'000	Total £'000
Cost					
As at 1 April 2020	1,324	201	1,389	2,382	5,296
Additions	-	-	-	510	510
Disposals	-	-	-	(825)	(825)
At 31 March 2021	1,324	201	1,389	2,067	4,981
Accumulated depreciation					
As at 1 April 2020	906	180	1,326	2,382	4,794
Charge for the year	133	2	42	510	687
Disposals	-	-	-	(825)	(825)
At 31 March 2021	1,039	182	1,368	2,067	4,656
Net book value					
At 31 March 2020	418	21	63	-	502
At 31 March 2021	285	19	21	-	325
Held by parent charity	285	-	13	-	298
Held by subsidiaries	-	19	8	-	27

8. Fixed asset (continued)

b. Intangible fixed assets	IT software £'000	Total £'000
Cost		
As at 1 April 2020	72	72
Additions	-	-
Disposals	-	-
As at 31 March 2021	72	72
Accumulated depreciation		
As at 1 April 2020	18	18
Charge for the year	18	18
Disposals	-	-
As at 31 March 2021	36	36
Net book value		
As at 31 March 2020	54	54
As at 31 March 2021	36	36
Held by parent charity	36	36
Held by subsidiaries	-	-

9. Investments

	Group 2021 £'000	Charity 2021 £'000	Group 2020 £'000	Charity 2020 £'000
Market value at the beginning of the year	-	2,892	-	2,892
Impairment	-	-	-	-
Market value at 31 March 2021	-	2,892	-	2,892

Investments held by the charity at 31 March 2021 comprise £2 held in VSO Trading Limited, £953,000 held in Voluntary Service Overseas (Ireland) Limited and £1,939,000 held in Voluntary Service Overseas (Netherlands).

VSO Trading Limited, Voluntary Service Overseas (Ireland) Limited and Voluntary Service Overseas (Netherlands) are stated at cost; other subsidiaries have nil value (see note 17).

10. Debtors

	Group 2021 £'000	Charity 2021 £'000	Group 2020 £'000	Charity 2020 £'000
Trade debtors	2,114	1,796	7,683	7,655
Amounts due from ICS consortium partners	-	-	1,071	1,071
Amounts due from VSO Trading Limited	-	-	-	84
Amounts due from VSO Ireland	-	47	-	732
Amounts due from VSO USA	-	466	-	220
Other debtors	849	1,146	926	902
Accrued income	2,691	2,631	2,820	2,619
Prepayments	662	743	785	785
Total	6,316	6,829	13,285	14,068

All amounts above are due within one year, with the exception of £2,000 relating to non-current prepayments (2020: £10,000), and £40,000 relating to lease deposits (2020: £58,000).

Legacies of which we have been notified, but not recognised as income, are valued at £92,000 (2020: £413,000).

11. Creditors

a. Amounts falling due within one year	Group 2021 £'000	Charity 2021 £'000	Group 2020 £'000	Charity 2020 £'000
Trade creditors	481	480	3,614	3,564
Working capital advance from FCDO for ICS	-	-	4,500	4,500
Amounts due to VSO Netherlands	-	17	-	94
Other creditors	890	853	971	895
Pension contributions payable	14	8	97	91
Tax and social security	386	389	707	707
Accrued expenditure	1,206	1,189	2,168	1,997
Deferred income	478	453	656	656
Accrual for compensated employee leave	607	505	377	288
Total	4,062	3,894	13,090	12,792

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

b. Movement on deferred income during the year	Group 2021 £'000	Charity 2021 £'000	Group 2020 £'000	Charity 2020 £'000
Balance brought forward	656	656	859	837
Released to income	(203)	(203)	(203)	(181)
Received in year	25	-	-	-
Balance carried forward	478	453	656	656

11. Creditors (continued)

c. Amounts falling due after one year	Group 2021 £'000	Charity 2021 £'000	Group 2020 £'000	Charity 2020 £'000
Other creditors	399	399	306	306
Total	399	399	306	306

No interest is incurred on any of the above creditors.

12. Provisions for liabilities – group and charity

	As at 1 April 2020 £'000	Arising in the year £'000	Utilised in the year £'000	Released in the year £'000	As at 31 March 2021 £'000
Overseas tax	1,069	(118)	(207)	-	744
Volunteer flights	19	-	-	(8)	11
Dilapidations	286	-	-	-	286
Pension deficit	2,708	140	(562)	-	2,286
Total	4,082	22	(769)	(8)	3,327

Overseas tax

A liability across VSO's global portfolio has been identified in relation to overseas taxes. This has been provided for and is being managed with relevant authorities and expert services. The value of the provision released due to exemptions and waivers granted by local authorities of nil in 2021 (£776,000 in 2020) is shown as an exceptional item in the statement of financial activities.

Volunteer flights

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

Dilapidations

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

Pension deficit

VSO participates in the Pensions Trust Growth Plan, a multi-employer defined benefit scheme in the UK. The rules of the Plan give the trustees the power to require employers to pay additional contributions in order to ensure the scheme has sufficient assets to meet its past service liabilities.

If the actuarial valuation reveals a deficit, the trustees agree to a recovery plan to eliminate it over a specified period of time. This year VSO has paid £562,000 (2020: £545,000) as contribution to the Plan's deficit. The agreed contribution by VSO to the current recovery plan has been recognised as a provision at the present value of future payments (see note 19).

13. Restricted funds

a. Movement on restricted funds	Opening balance	Incoming resources	Resources expended	Closing balance	Opening balance	Incoming resources	Resources expended	Closing balance
	2021	2021	2021	2021	2020	2020	2020	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Worldwide restricted funds	1,479	19,130	(16,334)	4,275	1,807	17,593	(17,921)	1,479
Restricted funds by country:								
Bangladesh	35	186	(152)	69	165	244	(374)	35
Cambodia	14	316	(315)	15	36	505	(527)	14
Ethiopia	2	372	(329)	45	78	438	(514)	2
Ghana	58	-	(58)	-	111		(53)	58
Kenya	314	1,014	(1,169)	159	207	1,077	(970)	314
Malawi	631	3,467	(3,124)	974	457	2,096	(1,922)	631
Mozambique	295	925	(688)	532	51	412	(168)	295
Myanmar	-	551	(435)	116	1	559	(560)	-
Nepal	406	3,909	(3,676)	639	9	3,714	(3,317)	406
Nigeria	-	133	(12)	121	6	-	(6)	-
Pakistan	11	231	(157)	85	128	108	(225)	11
Philippines	38	127	(165)	-	64	229	(255)	38
Rwanda	41	2,789	(2,627)	203	18	3,944	(3,921)	41
Sierra Leone	-	329	(121)	208	-	141	(141)	-
South Africa	22	120	(106)	36	150	92	(220)	22
Tanzania	392	574	(548)	418	198	2,067	(1,873)	392
Uganda	162	428	(548)	42	1,277	677	(1,792)	162
Zambia	-	338	(247)	91	172	99	(271)	-
Zimbabwe	144	499	(435)	208	38	310	(204)	144
Total country restricted funds	2,565	16,308	(14,912)	3,961	3,166	16,712	(17,313)	2,565
Total restricted funds	4,044	35,438	(31,246)	8,236	4,973	34,305	(35,234)	4,044

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

b. Movement on contracted funds	Opening balance	Incoming resources	Resources expended	Transfer of funds	Closing balance	Opening balance	Incoming resources	Resources expended	Transfer of funds	Closing balance
	2021	2021	2021	2021	2021	2020	2020	2020	2020	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
International Citizen Service (ICS)	500	5,647	(5,417)	(730)	-	500	16,955	(16,505)	(450)	500

Income and expenditure relating to the above contract is recorded under the unrestricted column on the Consolidated Statement of Financial Activities.

14. Unrestricted funds

Movement on unrestricted funds	General fund £'000	Pension deficit repayment plan £'000	Change programme £'000	ICS £'000	Fixed assets £'000	Income generation £'000	Total £'000
As at 01 April 2019	14,185	(3,285)	951	500	738	2,847	15,936
Surplus / (deficit) for the year	(1,160)	577	(83)	450	-	(532)	(748)
Transfer from restricted	-	-	-	-	-	-	-
Transfer between funds	632	-	-	(450)	(182)	-	-
As at 31 March 2020	13,657	(2,708)	868	500	556	2,315	15,188
Surplus / (deficit) for the year	(1,761)	422	(346)	230	-	(332)	(1,787)
Transfer from restricted	-	-	-	-	-	-	-
Transfer between funds	925	-	-	(730)	(195)	-	-
At 31 March 2021	12,821	(2,286)	522	-	361	1,983	13,401

Designated funds:

Pension deficit repayment plan fund

The pension deficit repayment plan fund is equal to the present value of future contributions payable by VSO to meet the obligation resulting from a funding agreement to eliminate the funding deficit on the Pensions Trust Growth Plan (see note 19).

Change Programme fund

The Change Programme fund was set up to finance organisational change which ensures that activities are prioritised and focused to achieve VSO's strategic plan and that resources are efficiently deployed at programme delivery level in country. The balance is carried forward to fund the ongoing programme of transformational change.

ICS fund

As the ICS contract was concluded during the year all remaining costs of the contract, including redundancy costs of employees, were expended during the year, so no further fund balance has been designated.

Fixed asset fund

Transfers to the fixed asset fund represent capital additions less disposals and depreciation charges for the financial year.

Income generation fund

In March 2019, the trustees decided to designate a £3m fund to be invested in income generating activities over the next three years to support unrestricted income growth and income portfolio diversification. The priorities and programmes for this fund continue to be revised based on returns, therefore investment timeframe has been extended.

15. Analysis of net assets between funds

	General fund £'000	Pension deficit repayment plan £'000	Change programme £'000	ICS £'000	Fixed assets £'000	Income generation £'000	Restricted funds £'000	Total £'000
Fund balances at 31 March 2020 were represented by:								
Tangible fixed assets	-	-	-	-	556	-	-	556
Investments	-	-	-	-	-	-	-	-
Current assets	24,070	-	868	5,000	-	2,315	4,044	36,297
Current liabilities	(8,733)	-	-	(4,500)	-	-	-	(13,233)
Long term liabilities and provisional	(1,680)	(2,708)	-	-	-	-	-	(4,388)
Total net assets	13,657	(2,708)	868	500	556	2,315	4,044	19,232

	General fund £'000	Pension Deficit Repayment Plan £'000	Change programme £'000	ICS £'000	Fixed assets £'000	Income generation £'000	Restricted Funds £'000	Total £'000
Fund balances at 31 March 2021 are represented by:								
Tangible fixed assets	-	-	-	-	361	-	-	361
Investments	-	-	-	-	-	-	-	-
Current assets	18,318	-	522	-	-	1,983	8,241	29,064
Current liabilities	(4,057)	-	-	-	-	-	(5)	(4,062)
Long term liabilities and provisional	(1,440)	(2,286)	-	-	-	-	-	(3,726)
Total net assets	12,821	(2,286)	522	-	361	1,983	8,236	21,637

16. Operating leases

As at 31 March 2021 the charity was committed to making non-cancellable operating lease payments over various periods, as set out in the table below, including in year lease expense.

	2021 £'000	2020 £'000
In the UK:		
Within one year	536	536
Within two to five years	582	1,119
Overseas:		
Within one year	204	290
Within two to five years	169	56
In more than five years	31	-
Total	1,522	2,001
Lease expense	1,208	1,287

16. Operating leases (continued)

As at 31 March 2021 the charity was entitled to receive non-cancellable operating lease receipts during the various periods, as set out in the table below.

	2021 £'000	2020 £'000
In the UK		
Within one year	71	71
Within two to five years	80	150
In more than five years	-	-
Total	151	221

The receipts detailed above relate to the charity's sublease agreement for part of the VSO UK office building.

The current agreement is due to end in May 2023.

17. Subsidiary companies

	VSO Trading 2021 £'000	VSO Ireland 2021 £'000	VSO Netherlands 2021 £'000	VSO USA 2021 £'000	VSO Trading 2020 £'000	VSO Ireland 2020 £'000	VSO Netherlands 2020 £'000	VSO USA 2020 £'000
Total income	-	341	4,174	111	24	506	2,995	133
Total expenditure	-	421	3,120	389	24	442	2,825	296
Net income / (expenditure)	-	(80)	1,054	(278)	-	64	170	(163)
Gift aid payment to VSO	-	-	-	-	-	-	-	-
Retained profit / (loss) for the year	-	(80)	1,054	(278)	-	64	170	(163)
Total assets	-	892	2,986	31	89	1,661	2,135	58
Total liabilities	-	59	167	472	89	750	373	221
Total funds	-	833	2,819	(441)	-	911	1,762	(163)

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

VSO Trading Limited

A company limited by share capital incorporated in England and Wales (company number 02315724, 100 London Road, Kingston upon Thames, KT2). VSO Trading Limited is wholly owned by VSO.

The principal activity of the subsidiary is the delivery of non-charitable activities for the purpose of raising funds for VSO. The net taxable profit of the subsidiary is transferred by Gift Aid to VSO. In 2021, this company was made dormant, as this type of activity is not planned for the foreseeable future.

Beijing VSO Consulting Company Limited

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

A decision was taken in 2014/15 to wind down Beijing VSO Consulting Company Limited. This process was completed in financial year 2020/2021. The registered capital of the company was initially valued at US\$210,000. The investment held by VSO in Beijing VSO Consulting Company Limited was recorded as impaired in prior years and based on its future expected value was written down to US\$ nil in financial year 2015/16.

Voluntary Service Overseas (Ireland) Limited

A charitable company limited by guarantee incorporated in Republic of Ireland; charity number CHY 15048, company number 351799, registered address: Ten Earlsfort Terrace, Dublin 2, Republic of Ireland. The company is a wholly owned subsidiary and was acquired on 31 January 2017.

17. Subsidiary companies (continued)

The principal activity of the subsidiary is to advance education and to aid in the relief of poverty in any part of the world; they do this by supporting programmes that deliver sustainable change in VSO's three thematic practice areas: Inclusive Education, Health and Resilient Livelihoods.

Voluntary Services Overseas (VSO Netherlands)

A charitable foundation Stichting VSO Nederland. (Registration Number 41155934). Registered address; Way of the United Nations 1, 3527 KT Utrecht, Netherlands. The company is a wholly owned subsidiary and was acquired on 1 April 2019. (registration Number 41155934).

Voluntary Service Overseas USA, Inc.

A US corporation with US 501 (c) (iii) status; registered in the state of Delaware; registration number 82-4699627. Registered address: 700 K Street NW, Suite 4-143, Washington, DC, 20001. The company is a wholly owned subsidiary and was incorporated on 28 February 2018.

18. Related party transactions

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

	VSO Trading 2021 £'000	VSO Ireland 2021 £'000	VSO Netherlands 2021 £'000	VSO USA 2021 £'000	VSO Trading 2020 £'000	VSO Ireland 2020 £'000	VSO Netherlands 2020 £'000	VSO USA 2020 £'000
Payments received for management services	-	35	-	-	1	39	-	-
Donations received under Gift Aid	-	-	-	-	-	-	-	-
Sub-grants paid to	-	-	60	131	-	-	274	131
Sub-grants received from	-	216	486	-	22	339	529	-

19. Pension costs

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

The Pensions Trust Growth Plan Series 4 was the previous main scheme; it has been closed to new VSO entrants since October 2009. The charity also contributes to certain pension schemes for some employees based overseas.

The following table shows the cost of pension contributions in 2021 and 2020.

	2021 £'000	2020 £'000
Scottish Widows	276	306
The Pension Trust	96	63
The Pension Trust – deficit reduction liability: unwinding of discounting	62	41
The Pension Trust – deficit reduction liability: revaluation	78	(73)
Other – overseas schemes	591	679
Total	1,103	1,016

The Pensions Trust Growth Plan

VSO participates in the Pensions Trust Growth Plan (the Plan), a multi-employer scheme, which provides benefits to some 950 non-associated participating employers. The Plan is a defined benefit scheme in the UK.

19. Pension costs (continued)

As at 31 March 2021, VSO employed 10 (2020: 17) active members of the Pensions Trust Defined Contribution Growth Plan Series 4. Deferred members and pensioners are also in the defined benefit scheme.

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

The Plan is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the trustee has asked the participating employers to continue paying contributions to the scheme until 31 January 2025.

Future contributions for VSO as at 31 March 2021 are as follows:

Financial Year	£'000
2021/22	578
2022/23	596
2023/24	614
2024/25	527

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the employer has agreed to a deficit funding arrangement, the employer must recognise a liability for this obligation.

The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit.

The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision	2021 £'000	2020 £'000	2019 £'000
Present value of provision	2,286	2,708	3,285

19. Pension costs (continued)

Reconciliation of opening and closing provisions	2021 £'000	2020 £'000
Provision at start of period	2,708	3,285
Unwinding of the discount factor (interest expense)	62	41
Deficit contribution paid	(562)	(545)
Remeasurements – impact of any change in assumptions	78	(73)
Remeasurements – amendments to the contribution schedule	-	-
Provision at end of period	2,286	2,708

Income and expenditure impact	2021 £'000	2020 £'000
Interest expense	62	41
Remeasurements – impact of any change in assumptions	78	(73)
Cost recognised in the SOFA	140	(32)

Assumptions

	2021 % per annum	2020 % per annum	2019 % per annum
Rate of discount	0.66	2.53	1.39

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

The Plan is classified as a 'last-man standing arrangement'. Therefore VSO is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme.

Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

Thank you

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

From the volunteers who share their time and skills in our programmes around the world, to the partners who work with us on programme development, delivery, research and fundraising.

From the staff and supporters who work tirelessly on our behalf, to the people and organisations who donate the vital funds needed to support our work – and all those who generously choose to leave a gift in their Will.

The change is being felt by over a million people around the world, right now. Together, we're working towards a fair world for everyone. Thank you.

Here are just some of the individuals and organisations who made a vital contribution to our work in 2020/21.

African Union
AmplifyChange
Amplio
ARM
Avert
BT Supporters Group
Citi Group
Tanzania Citi Foundation
Department for Foreign Affairs Trade and Development
Dioraphte
Dubai Cares
Education Consortium
European Commission
ERIKS
Foreign, Commonwealth & Development Office
GIZ
Global Affairs Canada
Global Campaign for Education
Greg Dyke and Sue Howes
GSRD Foundation
Hempel Foundation
Imagine Worldwide
Institute of Development Studies (IDS)
International Civil Society Centre (ICSC)
International Forum for Volunteering in Development

Irish Aid
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KfW
Lego Foundation
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Mastercard Foundation
Medicor Foundation
MESH Guides (Education Future Collaboration)
Onebillion
Randstad
Robert Carr Civil Society Networks Fund
Royal Norwegian Embassy
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Tackle Africa
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