

# ANNUAL REPORT

HOW

**ACTION FOR CHILDREN**

**WORKS**

**From before they are born until they are into their twenties, we help disadvantaged children across the UK. We succeed by doing what's right, doing what's needed, and doing what works for children.**

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KENSINGTON PALACE

I am very proud to follow Her Majesty The Queen as Royal Patron of Action for Children, and taking on the role this year has been a great honour. I passionately believe that every child should have the best possible start in life, and Action for Children is ready to step in where sadly that doesn't happen. I am so pleased to be able to support and highlight this important work.

Earlier this year, I was privileged to meet children and young people being supported by Action for Children services in Torfaen and Caerphilly. They told me about the mental health problems they were experiencing, and how staff were helping them to improve their ability to cope with the challenges they were facing. I was so impressed by the courage shown by the children, but also by the difference Action for Children makes to their lives. It was clear that this is a joint effort, with skilled professionals and children working together to resolve very serious issues.

I believe it is absolutely crucial to confront problems as early as possible, to prevent them from escalating into greater issues later in life. I know Action for Children works tirelessly to give children a safe and happy future, and I am looking forward to learning more about this inspirational charity and getting to know the people that make Action for Children such a success in the years ahead.

*Catherine.*



# 2016/17 – a year to be proud of



Statement  
from the Chair,  
John O'Brien,  
and the Chief  
Executive,  
Sir Tony  
Hawkhead.

Our job at Action for Children is to make sure everything we do is focused on supporting children and families. We've been working hard in 2016/17 to become a more resilient, flexible and agile organisation that can respond to changing events quickly and effectively. Our transformational strategy, which we're already using, will help us continue to improve the lives of the UK's most disadvantaged children. Despite the very real challenges we face, we're immensely proud of the fact that Action for Children's services directly helped over 370,000 children, young people and families last year, and our influencing work, reaching politicians and policy makers, will have benefited even more children and their families.

Our new five-year strategy focuses on three things – doing what's right for children, doing what's needed, and doing what works. We developed these aims in conjunction with children and young people, and they resonate strongly with our supporters, staff and volunteers. Both of us regularly visit frontline services, and the response to our new strategy has been "Yes – that's exactly right. That's what our work is about." The organisational changes, service developments and investment decisions you'll read about in this report, and

BY LINE, our review, all build on our new strategy. The result will be a stronger and more effective organisation.

Our frontline staff and volunteers have plenty to be proud of in 2016/17. They've worked with over 370,000 children, young people and their families and data from our e-Aspire system shows that our work really makes a difference to the lives of disadvantaged children; mental health, for example, improved for 71% of the children we work with in a targeted way.

Take eight-year-old David (not his real name), who Tony met when visiting services with the Duchess of Cambridge this spring. A year ago David was very withdrawn, coping with experiences in his early years too distressing to describe here. Yet in February his self-confidence had grown to the extent that he could speak with complete strangers, powerfully and with assurance. His journey will be a long one, but we'll support him on his way.

The best way to make sure that we do what's right for children is also the simplest: we ask them. In fact we involve the children and young people we work with at all levels of our organisation. For example, whenever Trustees are appointed,

young people help decide whether they should have the position. We know that if our senior people can't relate to children, then they won't be effective. In Northern Ireland, young people are members of the Nation Committee – a group that oversees Action for Children's strategy there. We aim to ask more young people to join Nation Committees in 2017/18.

What about doing what's needed? As promised in last year's annual report, we've been spreading the word about Action for Children using our new brand, which made a pitch-side appearance during 2017's Six Nations tournament. Raising our profile is essential in order to increase public support. In the face of major public spending cuts, it's donations of time and money that enable us to keep helping hundreds of thousands of children, young people and families. As part of this we launched a major new text-based giving campaign in March.

Increasing our digital capability means that more of the money raised goes to frontline services. In 2016/17 we introduced Skype for

"The best way to make sure that we do what's right for children is also the simplest: we ask them."

Business. Even at this early stage, we make over 360 hours of conference calls using the new system each month. Imagine the travelling time and money that saves!

Strong governance underpins everything we've achieved at Action for Children. Last summer we took over the running of dozens of 4Children children's centres and nurseries – a good move for children and families, and equally beneficial from a diversification and financial point of view. We welcomed hundreds of new staff to our charity with no fuss, and our two organisations worked well together to ensure the continuation of a stable service for children and families. It's a great example of doing what works.

In fact, Action for Children has been doing what's right for children, doing what's needed, and doing what works for a long time. Our former Royal Patron, Her Majesty the Queen, has raised awareness of our work for almost half a century. Most recently, children from Camden Short Breaks were welcomed to Buckingham Palace, to deliver a birthday card for

the Queen, complete with all their handprints. We would like to thank Her Majesty for all her support.

This January we welcomed Her Royal Highness, the Duchess of Cambridge to the role of Royal Patron. She has spoken frequently about the importance of acting early to stop problems escalating later in life, a concern echoed by our Fair by Five campaign, which launched last summer. It aims to make early years child development a national priority by 2020. We look forward to working with Her Royal Highness on this and other vital issues.

**John O'Brien**  
Chair

**Sir Tony Hawkhead**  
Chief Executive

# Progress against our 2016/17 objectives

## By inspiring more people to get involved, we improve our ability to raise money and help children feel safer and happier

We're here for one simple, compelling reason: to help children and young people feel safer and happier. To do that it's important we find new and sustainable ways to fund the support we offer to those who need us most. At the same time we face a real financial dilemma: on the one hand, increasing numbers of young people need our help; on the other, local authority funding is being squeezed like never before. To address this we've developed our new strategy (see page 14) that will significantly improve our ability to raise funds, undertake campaigning and influence key stakeholders. We began implementing this strategy in 2016/17.

The more people and organisations know about and understand our work, the more they can support it. Consequently we need to raise our profile to gain wider support. To make this happen we've introduced a new way of communicating what we do and the difference we make. This continued investment in fundraising and communications is – and will continue to be – an essential part of growing our voluntary income.

Our overall reach number goes up and down reflecting the different ways our services develop. The overall number of children, young people and families we reached this year was over 370,000. The decrease of 5% (on 2015/16's reach of 390,000) was largely due to the completion of the Skills for Success programme which worked with 25,000 young people through digital media in 2015.

Our reach will develop in line with our new strategy and projects we progressed this year; this includes innovative new digital services and our partnership with the Royal Mail to provide mental health support to children and young people.

Our new strategy also includes the introduction of commercial products and services that support our charitable objectives. For example, in 2016, we took over nurseries formerly managed by 4Children, underscoring our ambition to become the leading provider of quality early years services, and reflecting our focus on children's important early development. Following their integration into our portfolio of services, Action for Children also became a strategic partner of the Department of Education, supporting the delivery of the Early Years Foundation Stage (EYFS) framework. This partnership also means we now provide training and support tools to other organisations working in early years education and childcare, allowing us to enhance the overall quality of education and care pre-school children receive, which of course dovetails perfectly with our wider mission and ambition to make children safer and happier.

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## By improving our productivity, we release more resources to help more children

Attracting external funding has been particularly challenging this year. In response we've set about reducing costs, but in ways that still allow for innovation and service improvement. For example:

**Changing working practices.** By sustaining our investment in IT and training staff in new ways of working, more of our people can work effectively from home while still collaborating with team members and those outside the organisation. Working from home also frees significant time and resource that we can dedicate to helping more children. The introduction of Office 365 and greater use of Skype have accelerated these changes.

**Organisation redesign.** By delegating authority and streamlining cross functional teams into five regions – England North, England South, Scotland, Wales and Northern Ireland – we've reduced costs in ways that support team working, decision making, partnership management and – crucially – the different needs of children across the country. Our new organisational structure went live on 1 April 2017.

**Cost transparency.** By being really transparent about costs we've inspired greater confidence among our commissioners and the public about the effectiveness of our work. We've enhanced our financial reporting to show exactly how and where money is spent, highlighting our commitment to deliver more benefit for the same budget or less. Our focus on productivity also includes a major review of the efficiency of our transaction processes, covering payroll, recruitment, donating and invoicing.

## By improving our engagement with staff and volunteers, we become more creative and effective in our work

Our people are our most important resource. In 2016/17 we worked hard to put in place important foundations for our planned transformation. Our new Engagement Strategy, including Engagement Forums, helps support our "whole organisation" approach to planning and ensure that everything we do reflects what children tell us they need.

We also signed an updated agreement with our trade union partners, Unite and UNISON, and worked closely with them to develop a new benchmarked pay and grading structure. The result is affordable, fair and transparent and strengthens our financial sustainability. Together with practical tools added to our new Learning Hub, staff can now build rewarding careers within Action for Children.

We value the important contribution and unique skills of our volunteers in fundraising and working with paid staff to deliver support to children. We completed a review of volunteering in 2016/17 and agreed a new strategy (see page 14) to show our support for their hard work and dedication.



# What visiting a centre means to Sarah and Dan

She can meet other mums

Sarah can share her anxieties

She can learn practical new skills

She's got a safe place to share her story

And rebuild her life

He can meet other children

Dan can share his feelings

He can learn new ways to play

He has a safe place to be himself

And build his new life

Abuse at home is more common than any of us would like to think. But no one should suffer in silence. Our staff never make judgements. They listen, learn and do what works. [actionforchildren.org.uk](http://actionforchildren.org.uk)

HOW

**ACTION FOR CHILDREN**

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## By measuring what works we can be more effective

**Our work has a lasting effect on disadvantaged children, their families and our society. We always demonstrate what we do, and show how it works.**

We know that the problems children face can be solved, and that patterns of disadvantage, neglect and emotional distress can be overcome when we intervene.

Our unique system, e-Aspire helps by measuring our impact and the change we affect every day on the lives of children and young people referred to us for targeted support. With data now available from 2015 to 2017, we can now analyse almost 60,000 cases to illustrate and improve the effectiveness of our work.





**In a world where one thing often leads to something worse, we prove how it can lead to something much, much better**



**By helping children in the UK from before they are born until they are young adults.**



**71%**

of children experience a better family life because structure and routines are established including mealtimes, bedtime and getting to school

**71%**

of children and young people improved their mental health

**By insisting that every five year old gets a fair chance at school.**



**81%**

of five year olds have improved their ability to achieve at school



**By helping parents and keeping families together.**

**94%**

of children at risk of going into custody or care continue to live at home with our Multisystemic Therapy (MST) programme

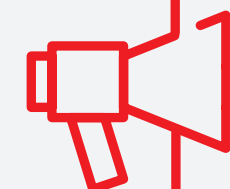
**By providing short breaks and care for children and families.**

**79%**

of disabled children were more able to manage their own behaviour



**By acting to stop neglect.**



**70%**

of children have warmer and more supportive relationships with parents and carers

**74%**

of children feel more secure by parents or carers setting more effective boundaries

**By providing loving fostering and adoptive homes.**



**97%**

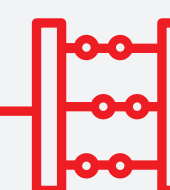
of children and young people say that living with our foster carers has helped to improve their lives



**By making life better for disabled children.**

**87%**

of disabled children develop stronger practical life skills



**By helping young people out of trouble and into education and jobs.**

**73%**

of young people go onto further employment, education or training

# By opening closed minds and fixing flawed policies

**Our policy and influencing work creates political change that improves the lives of disadvantaged children across the UK. Action for Children's services directly help over 370,000 young people, yet our influence goes much further, reaching politicians and policy makers in ways that benefit children and their families.**

We undertake research, speak up on behalf of children and promote evidence-based solutions to create change. In today's uncertain political situation we keep children's needs high on the political agenda, ensuring their interests are protected.

Here are just some of the changes we made for children and young people in 2016/17:

## Safeguarding and protecting children

Working alongside others, our policy team secured important changes to the Children and Social Work Act. Draft versions of the Bill included exemption clauses that threatened statutory provisions protecting children, with no strong case made to show why such sweeping powers were needed. We worked hard to gather evidence, bring representatives from across the sector together and build relationships with officials. Following intensive lobbying from Action for Children and others, we're delighted to say the Government removed the controversial clauses from the Bill.

We also ensured that tackling neglect is a core part of the Welsh Government's strategy for vulnerable children. We hosted workshops, met senior officials and shared our evidence and resources, including our innovative neglect toolkit that is being adopted by several local authorities.

Working with the NSPCC we produced evidence to identify the relationship between child neglect and issues including child sexual exploitation, harmful sexual behaviour and child sexual abuse.

The Government accepted many of our recommendations in their Putting Children First reform strategy and Narey Review on residential care. As a result they are now piloting a new accommodation option, Staying Close, for young people leaving residential care.

## Tackling the mental health and wellbeing of children in care and care leavers

In 2016/17 we co-chaired the Alliance for Children in Care and Care Leavers, calling for a greater focus on helping these children recover from the psychological impact of abuse and neglect. Despite 60% of children entering care because they've been seriously neglected or abused, physically, emotionally or sexually, far too few receive the mental health support they need.

Working independently and with the Alliance, we secured changes to the Children and Social Work Bill and the Government's Children in Care and Care Leavers Strategy. Local authorities are now responsible for children and young people's physical and mental health, and have to proactively contact care leavers rather than wait for them to request support. We've ensured similar arrangements were included in the Immigration Bill.

## Addressing the impact of loneliness on parents and children

Loneliness is something many children and parents have to face. Jo Cox MP was investigating ways to address this debilitating issue before her murder. In January 2017 Action for Children was proud to announce our role leading The Jo Cox Commission on Loneliness' work on children, young people and families.

## Securing a Fair Deal for young people

We continue our work to help disadvantaged young people get through periods of financial difficulty and develop money management skills. Our successful UK Fair Deal campaign launched in the Welsh Senedd, and we secured significant changes to Welsh legislation to tackle poverty and protect the most vulnerable. We also ensured the UK Financial Capability Strategy implementation group remains focused on the needs of the most disadvantaged young people.

## Campaigning to give every child the best start in life with our Fair by Five campaign

At least one in three children have development issues by age five. Children who begin primary school behind their peers risk remaining there throughout their school lives. Over half (55%) of children with the lowest levels of attainment at age seven show equally low levels of attainment at 16 as they sit GCSEs.

In June 2016 we launched our Fair by Five campaign designed to make early years child development a national priority. We've attracted supporters (including reaching nearly one million people via social media with our 'Thunderclap' in October), met with party leaders, visited Number 10 and hosted ministerial discussions. We gave evidence to select committees, worked with MPs to debate the issue and produced a series of briefings that explain the vital importance of a child's early years.

One of our campaign asks was for the government to keep a universal assessment of child development at age five. The Government has recently announced its decision to retain the Early Years Foundation Stage Profile assessment, which is a welcome development. In the coming year Fair by Five will continue to insist that every child gets the best possible start in life.



# 2017/22

## strategic objectives

Our strategy is firmly based on children's needs – what they need to grow and develop, what they need from people who look after them, and what they need from the wider world.

### A five-year strategy for change

**Childhood is often a challenging time, but add disadvantage to the mix and the problems of growing up become far worse.**

Right now there are millions of disadvantaged children in the UK, and with local authority income in serious decline, the problem is only getting worse. Faced with this situation Action for Children needs to do more than only respond to tenders asking us to deliver our charitable purpose; we need to actively find new ways to overcome old problems, including finding innovative, sustainable sources of income. It's about establishing a clear way forward and doing whatever it takes to get us there – because in the end that's how we'll continue to deliver the support that children, young people and families need, while raising awareness and campaigning for positive change. Anything else risks short-changing the very people we exist to help.

This year we agreed a new five-year strategy that's already transforming the way we work.

This strategy is the fruit of a planning process that involved collecting ideas from across our entire organisation, combined with input from external research. The result is firmly based on children's needs – what they need to grow and develop, what they need from people who look after them, and what they need from the wider world. Our whole approach is about listening, respecting and responding to children, rather than imposing an external agenda.

The thinking behind our new strategy begins with our mission to make children safer and happier. To do that we need to build our capabilities in ways that maximise the reach and effectiveness of our work, empowering our

people and working in close partnership with other organisations who share our ambition of:

### Any child who needs help gets help

How will we achieve this ambition? **By doing what's right, doing what's needed and doing what works for children.** That sentence summarises Action for Children's entire strategic approach in 13 words.

Of course "doing what's right" can be a difficult call. To help us, we aim to base all our decisions on sound evidence. That's why we're investing in research and drawing on the very real expertise of our people to develop new products and services. These will attract new funds through fundraising (voluntary income) and commissioned services. We're also developing commercial products and services such as our new nursery initiative that support our objectives. Together these measures will help us identify where need is greatest and where opportunities for further progress lie.

Make no mistake, this new strategy marks a major shift in the way we finance and deliver our charitable purpose, helping us make a real and lasting difference to the lives of the disadvantaged children we help. Specifically we will:

- Continue to tender and deliver contracts on behalf of local authorities that have a positive and lasting impact on the lives of children, young people and their families
- Increase our voluntary income, enabling us to develop and deliver products and services of our own that benefit children, young people and their families
- Generate voluntary income to support our campaigning aimed at changing policy and behaviour

- Develop commercial offers that generate profit we can use to finance services and activities that support disadvantaged children.

### A three-year action plan to deliver our five-year strategy

2017/18 is the start of a three-year action plan of streamlining and investment. Our aim is to make the best of what we already have, reducing costs and releasing resources to invest in the areas of greatest need so we can support even more children. This process of transformation has already begun in the form of our refreshed four nations organisation redesign.

Our action plan has six key objectives:

#### 1.

##### Improve our reach and impact

We'll continue using an evidenced-based approach to meet the needs of disadvantaged children. As part of this, all new services we develop will reflect the real-world needs of children rather than what service commissioners think will work. To make our money go even further towards making children happier and safer, we'll also renew our efforts to cut our infrastructure costs. We'll also use innovative digital technology to deliver services online and increase our reach and impact.

#### 2.

##### Build support to fund our work and drive change for children

Raising our profile is essential if we're to increase our public support – and with it the amount of money we raise. The first step is to increase awareness through activities that encourage giving, volunteering and campaigning for change. This goes beyond



the children and families we help directly; our political influence enables us to broaden our reach and help disadvantaged children we aren't directly working with.

**3. Improve our ability to innovate**

We're here for one reason: to help children and young people. Innovation is the key to doing that consistently and effectively, especially when money is tight. Put simply, the more successfully we innovate, the more children we can help. Our aim is to both reward successful change and encourage a culture of experimentation to support our charitable purpose. For example, we'll deliver on our new 'Dragon's Den' concept to identify and support new internal ideas, providing seed funding and encouraging collaboration across Action for Children.

**4. Improve systems and processes**

By freeing staff to focus on our charitable purpose by improving our support systems, we can increase the number of children we help through the money and time released. In 2017/18 we'll review our transaction processes and make sure we provide the right level of back office support to our front line people.

**5. Mobilise and engage all our people**

Achieving the change described above won't always be easy; to make it possible we need to make sure all our paid staff, volunteers and supporters understand and support our new strategy. That's how we'll build momentum and make more children safer and happier. It's about engagement – the more our people

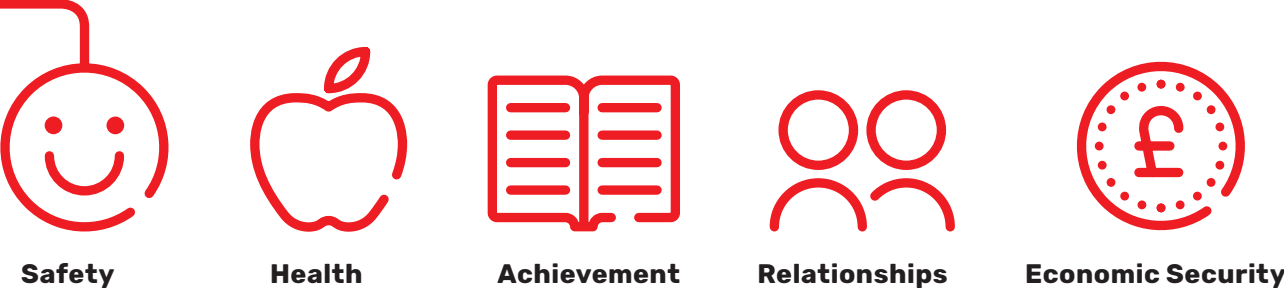
understand both our big ambition and their part in delivering it, the more they'll drive our new strategy forward.

To make this happen we'll build on work already undertaken in 2015/16, implementing our new pay and grading structure, enhancing our Learning Hub with career development tools and focusing on talent management (currently piloting at senior levels). We'll also start implementing our new volunteer strategy (see page 20). These changes, together with a new programme of coaching and mentoring, will help managers and staff across Action for Children bring the idea of 'Everyday Leadership' to life in their day-to-day work.

**6. Build capacity through partnership and collaboration**

The best way to achieve our ambition and enact our strategy is by forming partnerships and collaborations with like-minded organisations. The good news is we've been doing exactly this for some time, particularly in our influencing and campaigning work and service delivery partnerships.

Our refreshed four nation approach and decentralised administration open up new possibilities for future collaboration, commissioning, income generation and strategic investment. We'll continue to build new relationships and strengthen existing ones to help us raise funds, campaign for change and deliver the best services we can for the children we help. That's why we exist, and that's what our entire strategy aims to deliver.



**Do what's right for children. Do what's needed. Do what works.**

Our strategy			
Theme	Making children safer and happier	Empowering our people	Collaborative working
	Always remembering it's all about the children	Being innovative, enabling, flexible and creative	Working in partnership, not isolation, and focusing on the future
Aims	To have the greatest impact that we can	To recruit, support, develop and retain fantastic staff and volunteers	To maximise our impact by partnering with others
Objectives	<ul style="list-style-type: none"><li>- Improve reach and impact</li><li>- Build support to fund our work and influence change for children</li><li>- Release capacity to innovate</li><li>- Improve systems and processes</li></ul>	<ul style="list-style-type: none"><li>- Mobilise and engage all staff and volunteers</li></ul>	<ul style="list-style-type: none"><li>- Build capacity through partnership and collaboration</li></ul>
Actions	<ul style="list-style-type: none"><li>- Focus on meeting the needs of children that we are best placed to meet</li><li>- Secure political and behavioural change across the UK to improve the lives of disadvantaged children</li><li>- Raise public awareness and support for our cause through campaigning, giving and volunteering</li></ul>	<ul style="list-style-type: none"><li>- Introduce talent management activity across the organisation</li><li>- Create reward strategy and complete implementation of the pay and grading system</li><li>- Improve organisational performance through employee engagement</li><li>- Inspire and equip our staff as supporters</li></ul>	<ul style="list-style-type: none"><li>- Secure partnerships and coalitions that support delivery of our strategic aims</li><li>- Demonstrate collaborative partnership with our recognised trade unions</li><li>- Engage our supporters as active partners in our work</li></ul>





## A short break for Bobby

Means catching up with his mates

Means a breather for Mum and Dad

Means practising new skills

Means another marriage saved

Means something he can rely on

Means something they can rely on

Short breaks are a chance for disabled children to try fun new things and gain more independence, while their families take a break from 24-hour care. Just a day or two can make a big difference. To see what's happening in your area, visit [actionforchildren.org.uk/disability](http://actionforchildren.org.uk/disability)

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# Governance, structure and management

## Our charitable purpose

Our charitable purpose is set out in our Articles of Association (otherwise known as our constitution). It is: 'The promotion of the upbringing and care of children and young people in need, from all backgrounds, cultures and faiths or none, in particular by:

- Promoting their health
- Promoting better care and safeguarding them
- Promoting their education and establishment in life
- Providing assistance to them, their families and carers'

We're satisfied that the services we deliver reflect our charitable purpose and the public benefit requirement, as defined in section 17 of the Charities Act 2011.

## The Board of Trustees

The Action for Children Board of Trustees formally meets six times each year and is responsible for overseeing performance and providing strategic direction.

The Board currently comprises 14 Trustees who bring considerable experience and expertise to their role. The Board regularly reviews its own and the Chair's performance.

The Board has a number of Committees that report on specific issues. Each committee has agreed terms of reference and includes specialist Co-opted Members, as well as Trustees. The Board has delegated the day-to-day running of Action for Children to the Chief Executive and Executive Leadership Team, with individual responsibilities explained in our Scheme of Delegation.

## Trustees

Trustees and Committee Members are appointed for their skills and experience. For each position we aim to attract a broad range of candidates, and invite children from our services to take part in their final selection.

Once appointed for a three year term, Trustees and Committee Members undertake an induction programme to make sure they understand their roles under charity and company law.

Our close historic links with the Methodist Church are reflected in our constitution, which allows the Church to nominate a Trustee. We value the knowledge, expertise and passion that Methodist representation brings to the charity.

Whilst Trustees typically concentrate on the overall running of the charity, they often visit services, meet staff and see what's happening on the ground. This helps them keep in touch with the excellent work of our staff and volunteers.

All our Trustees give their time voluntarily and receive no rewards or benefits from Action for Children. They get involved for the best of reasons: they identify strongly with our charitable objectives and they want to make a difference.

Any expenses reclaimed by Trustees from Action for Children are set out in our financial statements.

## Committees

**Finance Committee:** oversees all financial issues and advises the Board on the most appropriate financial strategy.

**Fundraising, Communications and Campaigns Committee:** oversees the development of our voluntary income generation, communications, public policy and campaigns activity.

**Audit Committee:** ensures that we meet our statutory accounting obligations and maintain an effective system of internal control and risk management.

**The Nation Committees:** oversee the delivery of our strategic objectives in Northern Ireland, Scotland, England and Wales through the provision of high-quality children's services. The Nation Committees help us create deep connections with the different areas in which we operate.

**People Committee:** oversees the strategic management of our staff.

## Executive Leadership Team

The Executive Leadership Team comprises the Chief Executive and his Managing Directors, and is responsible for the overall day-to-day management of the charity.

The Team works closely with the Board of Trustees to lead our day-to-day work and support the development of strategy.

## Volunteering

Action for Children has a long history of volunteer and community involvement, made possible by constant modernisation and adaptation. We're proud of the work our volunteers do and the contribution they make, and plan to work even harder to support them in the future.

Volunteers contribute their unique talents, skills and knowledge of local communities and wider society, and in many cases have experienced the benefits of our services for themselves. We encourage our employees and volunteers to work together to raise funds and provide the best possible service to our children, young people and families. Perhaps most importantly of all, our volunteers provide the practical, day-to-day support our paid staff need, enabling them to focus on the specific tasks they're trained for.

We completed a review of our volunteering in 2016/17 and agreed a new strategy designed to meet the following objectives:

- Reflect the communities in which we work, embedding volunteering and community engagement throughout Action for Children in line with our new strategy.
- Develop volunteer co-ordinator networks to improve the quality of our volunteering experience, including how we engage, support, recognise and measure our volunteers' contributions.
- Improve digital engagement with our volunteers and create digital volunteering opportunities.
- Create more opportunities for volunteering for our corporate partners.

## Fundraising

Action for Children raises funds to make children safer and happier and to have the greatest possible impact on the lives of some of the most disadvantaged children in the UK. We work in partnership with a wide range of individuals, organisations, companies and charitable trusts to extend the reach of our work and maximise the difference we can make.

Our supporters help us by giving their time and money in response to appeals, and by undertaking fundraising in their local community ranging from running tea parties to running marathons. Many are also generous enough to remember us in their will. Companies support us by funding unique and innovative programmes that make a difference to children's lives, as well as offering their time and expertise pro bono.

We aim to adhere to the highest standards of professional fundraising, and actively encourage and support our staff to study for the Institute of Fundraising's diploma and certificate. We subscribe to the Fundraising Regulator, and prior to the founding of the Regulator in 2016, we were members of the now disbanded PFRA (Public Fundraising Regulatory Authority) and the FRSB (Fundraising Standards Board).

The landscape of regulatory bodies and guidance has changed dramatically in recent years. We're keeping abreast of developments, and regularly give and seek advice from our Trustees, both directly and through our Fundraising, Communications and Campaigns subcommittee. An example of changes in our sector is the publication by the Charity Commission of CC20, providing guidance to Trustees on their duty of oversight of fundraising practice. We participated in the consultation process prior to its publication

and prepared briefing papers for our Trustees. Senior staff attended a conference hosted jointly by the Charity Commission, the Information Commissioners Office and the Fundraising Regulator in Manchester during February 2017, and we're working with our colleagues in the Risk and Assurance team to identify any change we need to make to our practices following the imminent introduction of GDPR (General Data Protection Regulation) – something that will impact all aspects of all charity data management, not just fundraising.

Aspects of our practice have been called into question by the Fundraising Regulator in response to an exposé of one of our suppliers – Neet Feet – by a newspaper in July 2016. The Fundraising Regulator's investigation and adjudication of our relationship with Neet Feet was published on 24th November 2016.

The Regulator found that all but one of Neet Feet's eight charity clients (Action for Children, Home Farm Trust, RNIB, Save the Children, Smile Train, The Children's Trust, UNICEF, and World Animal Protection) failed to make all reasonable efforts to assure themselves the agency was compliant. Concerns focussed on a range of areas – insufficient oversight of training materials, too few mystery shopping or shadowing exercises undertaken and inadequate oversight of welcome calls. Action for Children was one of the seven charities that were judged to be in breach of the code.

Action for Children co-operated fully with the Regulator throughout its investigation, providing copies of training materials, scripts, mystery shopping records etc. We also indicated that we would like to work closely with the Regulator in the future to establish and clarify new benchmarks for compliance in the charity sector.



Following the publication of the newspaper article (but prior to the publication of the adjudication), we made a number of improvements to our practice as a result of our own internal investigations. We've increased the compliance element in our agency training materials; implemented a policy that allows us to approve agency fundraisers; increased the levels of mystery shopping so that fundraisers will be mystery shopped a minimum of four times per month; started shadowing door-to-door teams every four weeks and ensured that our staff are always present during agency compliance training sessions. We have a vulnerable persons policy and specify minimum and maximum age ranges to our agency partners in all of our contracts, so that we never recruit new donors who are either too young, too vulnerable or too elderly to consent. We ceased working with Neet Feet, who subsequently went into administration.

Finally, we're committed to keeping our supporters up to date with these changes, asking them to reconfirm their consent for us to contact them by mail, telephone or email.

## Reward Policy

In January 2017, our Board agreed design proposals for a new pay structure. We'll implement this structure throughout 2017, building on a detailed project plan and engagement process involving our employees and recognised trade unions.

We're also developing a reward strategy, based on principles agreed by our Board. This includes financial and non-financial elements centred on four core themes: financial compensation (including pay, allowances and pension), benefits (including our flexible working policies and discounts), learning and development, and environment (including wellbeing and diversity).

Our aim is to develop a total rewards framework so that every member of staff has a clear view of the overall package offered by Action for Children, creating a stronger bond between individual and employer.

At a more senior level, we determine pay for executive and leadership positions through benchmarking with other organisations in the not-for-profit sector. As a result we've determined that our Chief Executive's salary should not be more than 10 times the median full-time-equivalent salary within our lowest job level.

## Equality, diversity and inclusion

Action for Children is committed to promoting equality, valuing diversity and working inclusively across our whole organisation. These principles are upheld in our behaviours and practices – as an employer, service provider, and campaigning organisation.

We're currently undertaking a five-year programme that aims to fully embed equality, diversity and inclusion into all our systems, processes, policies and behaviours. This programme reflects our absolute commitment to eliminating discrimination and promoting equal opportunities.

We're also proud of our networks promoting equality, diversity and inclusion, for example our award winning LGBT+ staff network, our Celebrate LGBT and our Christian Faith network and our recently established Gender Empowerment network. We also support a group of "inclusion champions" who raise awareness of this important topic across all our services and offices, and a young ambassador scheme that provides opportunities and experiences for young people who've accessed our services.

One of the advertisements developed in 2016/17 as part of our rebrand.

# Jon's a bit of a handful.

Just like  
his dad

Just like  
his grandpa

Just needs  
some help.

HOW

**ACTION FOR  
CHILDREN**

**WORKS**

By talking and listening to young people and their families, we track behaviour back through a family's past and help potential young offenders change their future for the better.

[actionforchildren.org.uk/young-people](http://actionforchildren.org.uk/young-people)



# Management of risk

## Management of risk

The Board of Trustees is committed to ensuring the long-term health of Action for Children through an effective risk management framework.

This is designed to identify and mitigate key risks that could affect our ability to deliver our strategic objectives and achieve our charitable aims. That, after all, is why we exist; by reducing uncertainty and allowing us to innovate and manage change effectively, our risk management framework directly contributes to the fulfilment of our purpose.

Risk management isn't something that only concerns senior managers. All employees at every level have a part to play in reducing risk through our internal control framework. This ensures that the management of risk is embedded into our day-to-day business activities and is supported by well-established processes and policies.

Of course the nature of the risks we face continually change, so in 2016/17, our Board and Executive Leadership Team developed a risk appetite matrix, enabling us to adopt a more open approach to risk in the future. The result will help us make the most of every opportunity, thrive in today's challenging charity environment, and – most important of all – ensure we can help more children become safer and happier.

## Accountability

The Board of Trustees has overall responsibility for establishing an effective system of internal control, including the identification and management of risk. We manage and review our approach to risk through our assurance framework, which includes oversight by the Audit Committee and Internal Audit team. Their work is complemented by our Practice Improvement division, who ensure the safeguarding, performance and quality of our operational services.

In practice, we record risks in a risk register, before assessing them in terms of impact and likelihood, and recording any actions required to manage the risk. We divide risks into two categories:

**Strategic risks**

These are overseen by the Board, with the Executive Leadership Team ensuring the risk is managed in a way that means it can never threaten the delivery of our strategic objectives.

**Operational risks**

These concern our day-to-day activity and are managed by an appropriate subject matter expert, so we can operate effectively and compliantly.

The following table summarises the main risks we currently face, why they're significant and how we're mitigating their threat.

## Principal risks and uncertainties

From the strategic risk register.

Risk	Impact on the charity	Mitigation strategy
We may not achieve budgeted income levels, have insufficient margin to cover our operating costs and fail to deliver value for money.	We'll be less financially sustainable. We'll have fewer resource to dedicate to our charitable purpose services. There will be less money to invest in the future.	We've put in place a series of programmes to address principal risks. Our 2017-22 Corporate Strategy and Business Plan will help deliver our Transformation Programme, mitigating the pressures in our operating environment.
We may be unable to fully deliver our mission.	We'll reduce our capacity to support children, young people and families.	Our 2017-22 Corporate Strategy and Business Plan focus on enhancing our capability to deliver, in collaboration with partners where appropriate.  We've established analytic tools to assess the reach, impact and outcomes of services, helping us recommend evidence-based interventions to deliver better real-world results.
Public trust in the charitable sector may continue to decline.	We won't be able to raise the income we need to support our work with children and families. We can't make the best of the support we have.	We've developed and are implementing a suite of brand, communication and fundraising strategies that describe our values and purpose, helping to overcome trust issues amongst the public.
Reduced sense of shared culture and common purpose, with less sense of working toward a set of important goals	We may not be able to achieve our objectives or undertake operations effectively.  Our workforce might not feel fully engaged with our overriding ambition of "any child who needs help, gets help".	We're developing a people strategy to address reward, leadership, talent management, engagement and organisational effectiveness, with delivery in key areas already underway.  Joint working with trade unions.  We're introducing more opportunities for consultation through our Strategic Roadshows and Employee Engagement Forums.
Our safeguarding protocols fail.	A child may be harmed. Action for Children could suffer significant reputational damage and lose public support.	We've strong and well-established safeguarding controls in place that are subject to regular internal and external scrutiny.
Pension liabilities may increase and deficit contributions may become unsustainable.	Less money available to invest in our charitable activities.	We have a long term strategy to address the pension deficit and regular meetings are held with Pension Fund Trustees to assess the ongoing funding position of the pension scheme.



# Our finances

## Financial review

We said last year that the most important measure of our financial performance is how well it has supported our work and services with children, and that continues to be our chief indicator. The success of consistently meeting our operational budget for three years gives us the resilience to achieve more for the disadvantaged children we support.

However, although the operating budget has been a small surplus or deficit, the trend is of reducing income. We cannot change the economic climate and large cuts in local authority spending, so we need to find different ways of funding our work. Our new strategy is covered on page 14.

The table on the following page summarises the results reported in the statement of financial activities (SOFA).

In 2016/17 we continued to focus on providing services that made the most impact and benefit to children. Our financial performance, evidence based approach and new strategy means that we've made even better use of the resources we have to support those most in need.

As income has reduced we've successfully managed the cost of delivering and supporting our services. As highlighted in this annual report, we've invested in our brand to provide the environment where voluntary income can grow, to support our charitable activities.

The pressure on local authorities' funds and consequent reduction in our income continues. This is clearly seen in a number of local authorities ceasing to fund children's centres. We report this under 'Early years & family support' charitable activities. Year on year children's centre income is down £3.7m, 9%, and expenditure has reduced by £2.1m.

That our total income is level year on year results from the nursery and children centre activity we took over from 4Children. This is included in the SOFA as income and expenditure from trading. We're operating nurseries to generate a surplus to support our charitable activities. This is both directly through assisted nursery provision, and more widely using the surplus to develop new services.

The amazing work of our supporters and volunteers helps provide the donations, gifts and legacies to support our work. But 2016/17 was a disappointing year for fundraising. Legacy income was down £1.2m to £4.2m, although 2015/16 had been a particularly good year. Donations were down 5% to £12.0m; the investment in our brand is important to build more awareness on which to increase fundraising income.

We've had success in reducing our support costs and overheads while still investing in areas of our infrastructure that enable more efficient working, and safer, better use of information. A particularly successful project, supported by Fujitsu, has created digital case files to more clearly demonstrate the impact we make.

Extensive review of how we use our properties has led to cost savings, and focused action to maximise the benefit of these valuable assets.

Like many organisations that provide pension benefits to their staff, Action for Children has a historical pension deficit. The line in the SOFA for actuarial gain/(loss) on pension liability is very stark, with significant annual fluctuations, which shows how volatile the actuarial measure is. These gains and losses do not provide or deprive the charity of cash. They reduce or increase the pension liability, and whilst the balance sheet total moves, there is no change to the general fund of the charity. The section on pensions below covers this in more detail.

## Group financial statements

In addition to the main charity, Action for Children, the group consolidated financial statements include two other charitable trusts. Action for Children is the corporate Trustee.

The unincorporated trust National Children's Home (charity number 215301) continues to hold permanent endowments and receive legacies bequeathed to the old charity. This charity now only administers the permanent endowments of Action for Children and all income is given to Action for Children to spend in accordance with its objectives.

The Nicholas Galperin Trust (for charitable purposes) (charity number 210618) operates for the relief of young people under the age of 25 who are in need, hardship or distress. No grants were made during the year, but there are proposals to make some in 2017/18.

Three wholly owned subsidiary companies, registered in England and Wales, support the work of the charity:

- Action for Children Services Limited (company number 2332388) is a subsidiary for primary purpose trading in the provision of welfare and educational services. The company faces the same challenges as the charity, described in this annual report. New contracts with local authorities are primarily placed through the trading subsidiary, and turnover increased by 13% in 2016/17 to £34.9m. The company made a profit of £2,698,000 in the year, which will be paid to Action for Children under Gift Aid.
- Action for Children Trading Limited (company number 3776025) is a subsidiary for fundraising and trading activities. Turnover was up for the year with the fluctuation of events and sponsorship

arrangements. The company made a profit of £138,000 in the year, which will be paid to Action for Children under Gift Aid.

- Action for Children Developments Limited (company number 6842765), a company limited by guarantee, facilitates commercial trading, property and other developments in support of the charity's objectives. On 1 September 2016 Action for Children took over the running of a number of services previously provided by another charity, 4Children. This included about 50 nurseries, which are being run through Action for Children Developments Limited. Other activities include selling donated clothes, recycled stationery and a mobile coffee unit. The company made a profit of £372,000, which will be paid to Action for Children under Gift Aid.

A further three wholly owned subsidiary companies were incorporated to reflect the reach of Action for Children throughout the UK. In the immediate term it is not intended that they trade:

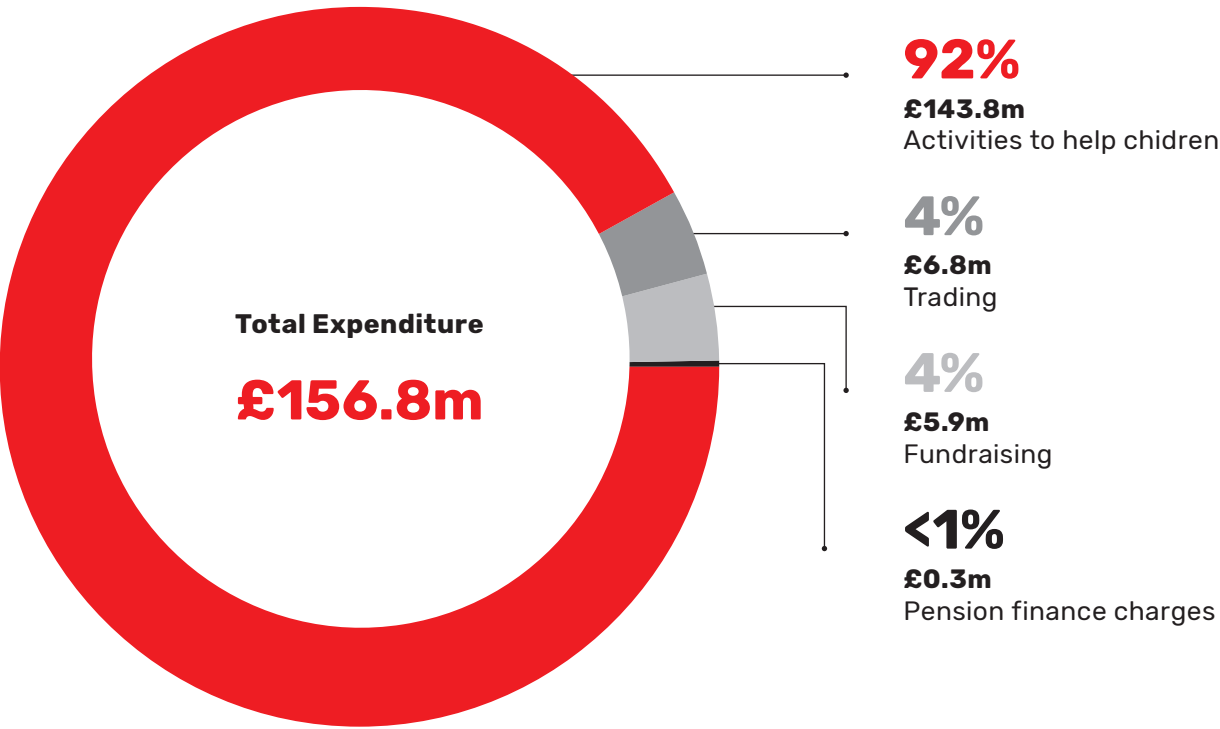
- Action for Children (Northern Ireland) Limited (company number NI638222) registered in Northern Ireland
- Action for Children (Scotland) Limited (company number SC526474) registered in Scotland
- Action for Children (Wales) Limited (company number 10011497) registered in England and Wales

Summary 2016/17 results

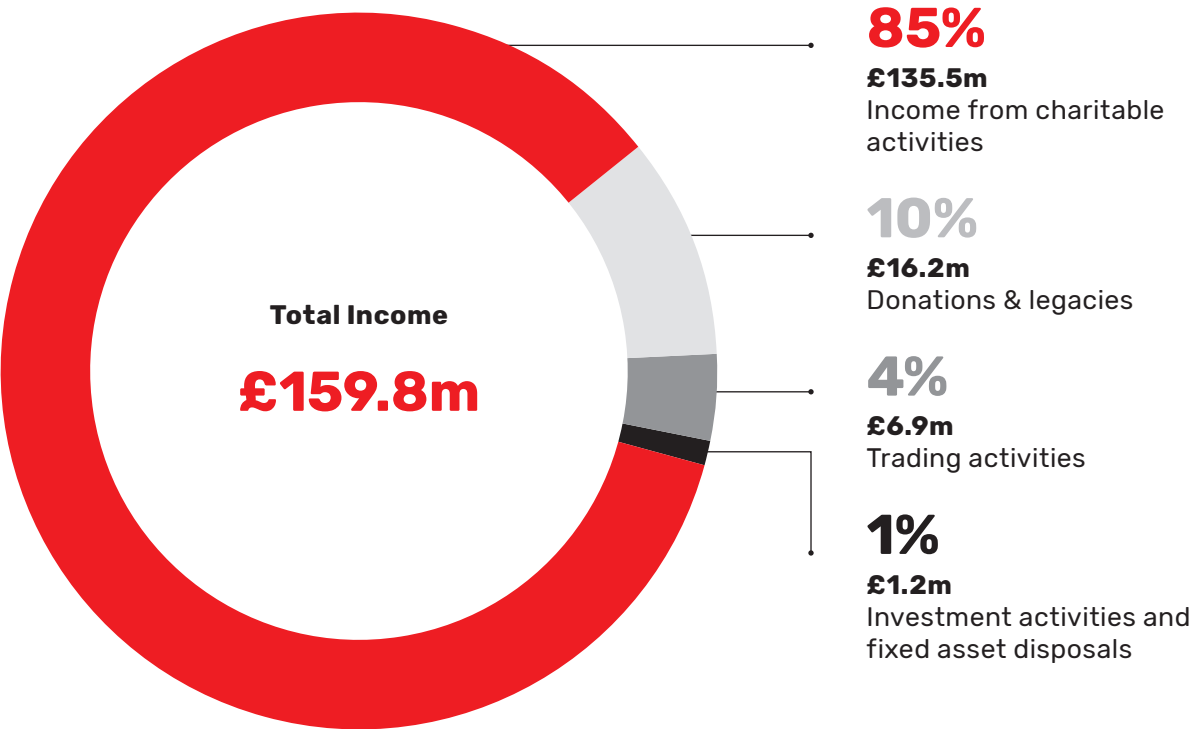
	2016/17	2015/16
	£m	£m
Income from donations and legacies	16.2	18.1
Income from trading	6.9	-
Investment income + fixed assets disposal	1.2	1.4
Income from charitable activities	135.5	141.3
Total income	159.8	160.8
Expenditure on raising voluntary income	(5.9)	(6.9)
Expenditure on trading	(6.8)	-
Expenditure on charitable activities	(143.8)	(148.8)
Pension finance charge	(0.3)	(1.4)
Total expenditure	(156.8)	(157.1)
Net income for the year	3.0	3.7
Gain/(loss) on investment valuation *1	6.4	(0.4)
Actuarial on pension liability	(10.0)	29.0
Net movements in funds	(0.6)	32.3

Notes: \*1 In the SOFA included in net income

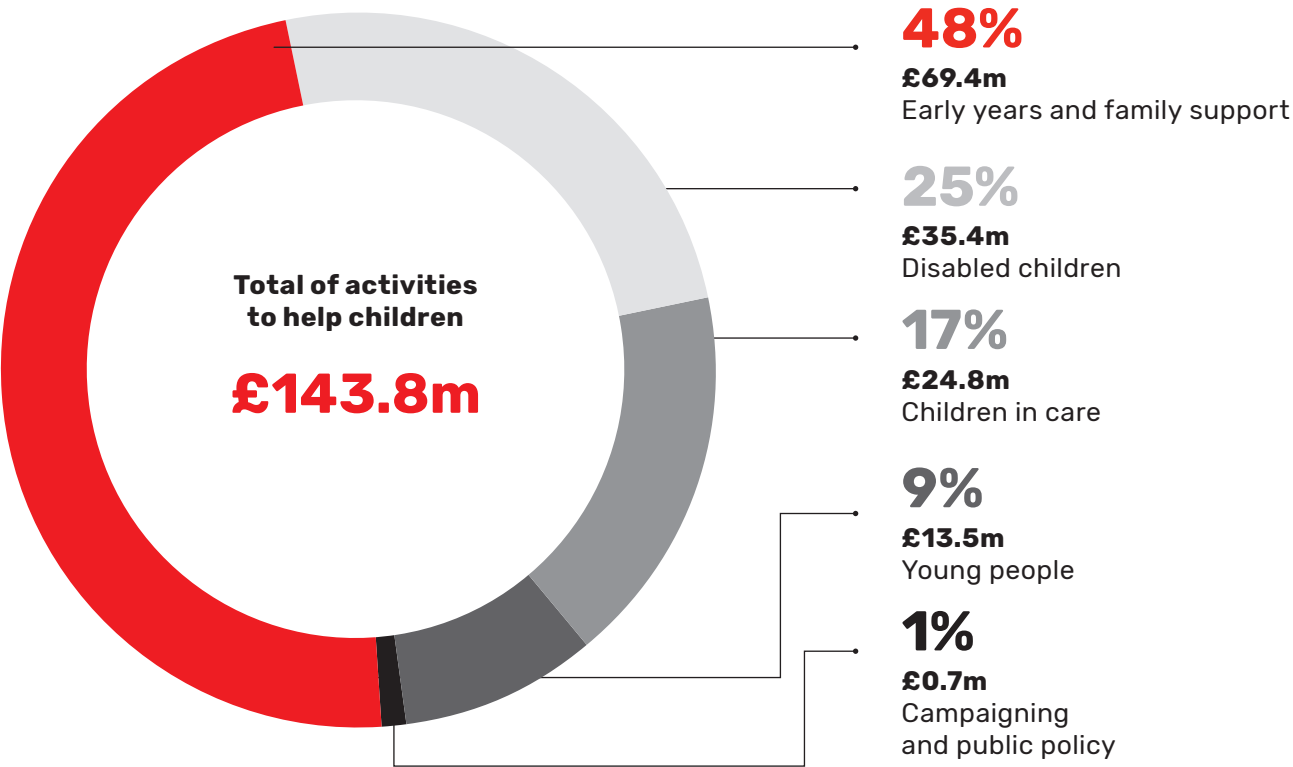
Our expenditure breakdown in 2016/17



Our income breakdown 2016/17



Breakdown of expenditure on activities to help children in 2016/17





## Charity funds

Trust and charity law requires that the funds of charities are presented in the following categories:

- Restricted funds represent legacies, donations and other income that can only be used for particular purposes. Where these funds are held on trust to be retained for the benefit of the charity as a capital fund, they are classified as endowment funds. These funds provide scholarships and income for general purposes. At 31 March 2017, the endowment funds were £9.8m and the specific-purpose funds were £4.9m.
- Unrestricted, designated funds comprise the capital fund, which is the amount invested in tangible fixed assets used in the charity's operational work, net of financing. At 31 March 2017 this fund was £24.0m. A designated fund has been established to reflect the charge to the Pension Fund over charity assets. Where those assets are operational property, they are already covered by the capital fund. The charged asset fund represents the balance of the total charge of £40m for investment properties and securities, and at 31 March 2017 was £15.9m. Designated funds in total at 31 March 2017 were £39.9m.
- The revaluation reserve is the amount by which investment market values exceed their historical cost. This is required by company law and amounted to £14.1m at 31 March 2017.
- The general fund comprises the remainder of the unrestricted funds necessary to fund the operations and provide protection against risks to the charity. The use of the general funds is determined by the reserves policy. The general fund amounted to £13.4m at 31 March 2017.

- The pension reserve represents the difference between the fair values of pension assets and liabilities. This amounted to a deficit of £14.8m at 31 March 2017.

## Reserves policy and forward financial forecast

As a charity, Action for Children has limited ability to seek external funding, other than through the sources set out in the accounts. The charity's reserves therefore reflect the capital necessary to safely and consistently carry on its activities through periods of uncertainty.

The Finance Committee reviews annually the reserves policy and the level of general reserves, which are shown in the financial statements as the general fund and revaluation reserve. This review is approved by the Board of Trustees. A risk-appraisal approach, applying likelihoods to a range of future costs, potential liabilities and risks is used to assess the amount of general reserves required in addition to the core requirement for working capital. This is linked to the latest business and financial plan. Risks include the loss of income from partner agencies and voluntary donations, and changes to pension costs. Reserves are also held to support the development of more services to children, young people and their families, and strategic investment.

The Trustees aim to ensure that the general reserves are sufficient to avoid any fluctuations threatening the financial stability of Action for Children, and to allow operations to be sustained while income and expenditure are rebalanced. Having regard to the charity's strategic plans, and economic and market conditions, the Trustees judge that reserves between £20m and £30m are required.

The Trustees believe that the charity has sufficient reserves on current projections to meet future requirements. During the last year general reserves decreased as assets charged to the Pension Fund, and not available for the charity to use, were included in a designated charged asset fund. At 31 March 2017 general reserves were £27.6m. Further information is given in note 13 to the financial statements. The current business and financial plan sets out the income and expenditure forecasts that support Action for Children's vision and strategic objectives. As a result of these plans, reserves are projected to remain within the £20m to £30m range.

The Action for Children financial plan and reserves policy take into account the requirement to meet Pension Fund contribution costs. The accounting disclosure required for pension liabilities is included in the balance sheet, detailed in note 6 to the financial statements and, on the prescribed basis of calculation, shows a liability of £14.8m. As noted on page 53 and later in this section, the actuarial deficit on an on-going basis is larger. However, as the Pension Fund valuation is based on a current estimate of long-term liabilities over the remaining lives of members and, as the planned cash flow for the next five years has been allowed for, no further adjustment to the reserves policy for pension costs is considered appropriate or necessary.

The Trustees have considered the financial plans for the budget year of 2017/18 and the following year, which cover a period of 12 months from the signing of these financial statements. The plans are built on a robust foundation of contract income, recognising the trend of reducing income, alongside a realistic net fundraising target, known new income and continuing control of costs. Where there are any residual risks, there is the capacity to manage

such exposures as may arise through flexing the cost base as well as planning, monitoring and managing cash flows accordingly. Although the general economic climate remains uncertain the Trustees believe that the charity is well placed to continue its operations appropriately.

We set out the charity's risk management approach as well as the key risks faced on pages 24–25. Despite the volatility of economic and market conditions the pension deficit is broadly in line with the recovery plan and the target funding level agreed with the Pension Fund Trustees in 2009 and subsequent triennial valuations.

Taking all of the above into account, the Trustees have a reasonable expectation that the charity has adequate resources to continue operating for the foreseeable future. Accordingly, they believe that the going concern basis remains the appropriate basis on which to prepare the annual report and financial statements.

## Investments

The larger part of the charity's investments are managed by the Central Finance Board (CFB) of the Methodist Church.

The CFB has a social, environmental and ethical investment policy that is consistent with the aims, objectives and ethical policy of the charity. The ethical work of the CFB is based on a robust approach involving research, company meetings and networking over a wide range of issues. Its implementation involves exclusion of companies deemed inappropriate as investments, as well as constructive engagement with those where such a policy is felt likely to lead to positive change.

The CFB produces original research on themes such as the environment, climate change and human rights. The CFB works closely with other church-based organisations in order to maximise the influence that such bodies have over the companies they invest in. The CFB's ethical investment policy precludes investment in companies whose principal purpose is involvement with alcohol, tobacco, pornography and/or armaments, or in companies that use child labour.

Action for Children's own ethical framework ensures there is a clear and consistent approach to all matters where we've some control and that impact on the wellbeing and life chances of children. This affects all areas of our work and actions including policy, fundraising and procurement. It also covers investments and supports the approach adopted by the CFB.

The CFB is signed up to, and compliant with, the Financial Reporting Council's UK Stewardship Code, and sets out on its website how it applies the principles of the Code.

Investments are principally held by Action for Children to provide the reserves it needs to manage future developments, risks and uncertainties. A key objective is to maintain an asset allocation model that matches the timing of potential liabilities within reserves to appropriate classes of investment assets. The investment policy and statement of investment principles is set in the light of this, and was reviewed and updated during the year. Investment decisions and performance are discussed and reviewed by a sub-group of the Finance Committee, which includes three expert members.

The CFB fund performance is measured against a benchmark relevant to the investments they manage. Performance for the year was positive, 0.2% above the benchmark, with the main General Fund returning 18.7%. Performance is reviewed and discussed with the CFB by the charity's investment group on a regular basis, which also looks at external benchmarking. The independent ARC indices have comparable returns of 16.0% for 'Steady Growth' and 12.0% for 'Balanced Asset'. Investment income was consistent year on year at £0.9m

A number of operational properties that have become redundant have been retained to lease out commercially. These properties have been included in investments. Including these additional properties there was a £2.4m, 23%, investment property valuation gain for the year (2016 £0.7m gain).

## Pensions

Pension funds are valued in different ways for different purposes. A triennial valuation is carried out to establish an appropriate funding level, and uses prescribed financial assumptions that are different from the assumptions that must be used for including pensions in the financial statements of the sponsoring employer. These accounting disclosure requirements are governed by the Financial Reporting Standard, FRS 102.

At 31 March 2017, on the ongoing valuation basis used for the triennial valuation, the deficit was £100m, a funding level of 86%. The FRS 102 position shown in these financial statements is a deficit of £15m, a funding level of 98%. The FRS valuation uses lower inflation and higher interest/discount rate assumptions than the triennial valuation, and both of these differences lead to a lower calculation of pension liabilities.

Both valuations are correct, but this disparity is not helpful in measuring and understanding the liability of the Pension Fund to Action for Children. However, it is the ongoing valuation basis, with a deficit of £100m at 31 March 2017 that is used in agreeing contribution levels and the recovery plan. Although movements in the FRS 102 valuation show in the statement of financial activities and feed through to the balance sheet total, they do not change the level of the general fund. It is the general fund that is directly linked to the reserves policy and important in assessing the charity's ability to manage its future operations, including payment of the deficit contributions.

Whilst the settlement of pension liabilities is a very long-term process, with costs spread over many years, the funding level is volatile. Valuations are snapshots on one day and are sensitive to changes in financial market

factors. The actuary provides a regular report on the funding position of the Pension Fund and this is closely monitored by the Pension Fund and charity.

We've continued to make the agreed pension recovery payments in accordance with the 20-year recovery plan agreed between the charity and the Pension Fund Trustee Directors in 2009, and are encouraged that despite market volatilities, we're on line with the agreed recovery plan funding position. Supporting this has been the implementation of the agreed investment strategy which has resulted in a lower risk asset portfolio, but one which still retains a reasonable potential for growth.



# Your foster child has just eaten an entire jar of raspberry jam.



**Panic**

Some of the kids we help have had to deal with unimaginable traumas. In one case, no food for days on end meant they immediately ate any food placed in front of them.

With our support, 365 days a year, you will be able to understand what's happening and work out ways to help. [actionforchildren.org.uk/fostering](http://actionforchildren.org.uk/fostering)

**Deal with it.**

**HOW**

**ACTION FOR  
CHILDREN**

**WORKS**

## Statement of Trustees' responsibilities

The Trustees (who are also directors of Action for Children for the purposes of company law) are responsible for preparing the Trustees' Annual Report (incorporating the Strategic Report) and the financial statements in accordance with applicable law and the regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles set out in the Charities SORP (FRS 102)
- Make judgments and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are

sufficient to show and explain the charitable company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the articles of association. The Trustees are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees confirm that:

- So far as each Trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware
- The Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

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

The Trustees' Report (incorporating the Strategic Report) was approved and signed on behalf of the Trustees on 13 July 2017.

**John O'Brien**  
Chair

# Independent auditor's report

to the members and Trustees of Action for Children.

We have audited the financial statements of Action for Children for the year ended 31 March 2017 which comprise the consolidated and parent charitable company statements of financial activities (incorporating the income and expenditure account), the group and parent charitable company balance sheets, the group and parent charitable company cash flow statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charitable company's members and trustees, as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under 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 and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 35, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair

view. We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2017 and of the group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent'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, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

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

- the information given in the Trustees' Annual Report (including the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Annual Report (including the Strategic Report) has been prepared in accordance with applicable legal requirements.

## Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Trustees' Annual Report (including the Strategic Report).

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

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

- proper and adequate accounting records have not been kept by the parent charitable company, or returns adequate

for our audit have not been received from branches not visited by us; or

- the parent charitable company's 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.

Stephen Maslin

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants

London  
Date:

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006



# Action for Children financial statements for the year ended 31 March 2017



## Consolidated statement of financial activities

(incorporating the income and expenditure account) for the year ended 31 March 2017

	Notes	Unrestricted funds	Restricted funds		Total funds 2017	Unrestricted funds	Restricted funds		Total funds 2016
			Specific purpose	Endowment			Specific purpose	Endowment	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments	3								
Income from donations and legacies		12,432	3,768	-	16,200	13,532	4,556	-	18,088
Income from trading activities		6,923	-	-	6,923	-	-	-	-
Investment income		838	85	-	923	816	77	-	893
Income from charitable activities									
Children in care		22,596	-	-	22,596	23,592	-	-	23,592
Disabled children		34,061	-	-	34,061	33,394	-	-	33,394
Early years & family support		66,527	550	-	67,077	72,095	515	-	72,610
Young people		11,061	753	-	11,814	11,167	607	-	11,774
Campaigning & public policy		1	-	-	1	1	-	-	1
		134,246	1,303	-	135,549	140,249	1,122	-	141,371
Other income									
Net gain on disposal of fixed assets		235	-	-	235	532	-	-	532
Total income and endowments		154,674	5,156	-	159,830	155,129	5,755	-	160,884
Expenditure	4,5								
Expenditure on raising funds									
Donations and legacies		5,897	-	-	5,897	6,822	37	-	6,859
Trading		6,812	-	-	6,812	-	-	-	-
Investment management costs		40	-	-	40	37	-	-	37
		12,749	-	-	12,749	6,859	37	-	6,896
Expenditure on charitable activities									
Children in care		24,714	29	-	24,743	25,192	41	-	25,233
Disabled children		35,063	358	-	35,421	33,852	205	-	34,057
Early years & family support		66,429	2,970	-	69,399	72,680	2,807	-	75,487
Young people		11,602	1,935	-	13,537	11,664	1,737	-	13,401
Campaigning & public policy		693	-	-	693	653	-	-	653
		138,501	5,292	-	143,793	144,041	4,790	-	148,831
Other expenditure									
Pension finance charge	6	299	-	-	299	1,417	-	-	1,417
Total Expenditure		151,549	5,292	-	156,841	152,317	4,827	-	157,144
Net gain/(loss) on investments	8	4,957	-	1,503	6,460	214	-	(636)	(422)
Net income for the year before transfers		8,082	(136)	1,503	9,449	3,026	928	(636)	3,318
Transfers between funds	13	(237)	237	-	-	83	(83)	-	-
Net income for the year before other recognised gains and losses		7,845	101	1,503	9,449	3,109	845	(636)	3,318
Other recognised (losses)/gains									
Actuarial (loss)/gain on pension liability	6	(10,032)	-	-	(10,032)	28,970	-	-	28,970
Net movement in funds		(2,187)	101	1,503	(583)	32,079	845	(636)	32,288
Funds brought forward	13	54,776	4,747	8,300	67,823	22,697	3,902	8,936	35,535
Funds carried forward	13	52,589	4,848	9,803	67,240	54,776	4,747	8,300	67,823

All activities derive from continuing operations. The surplus for the year, including realised and unrealised gains of £6,460,000 for Companies Act purposes was £7,798,000 (2016 surplus of £3,954,000, including realised and unrealised losses of £422,000).

Charity statement of financial activities

(incorporating the income and expenditure account) for the year ended 31 March 2017

	Notes	Unrestricted funds	Restricted funds		Total funds 2017	Unrestricted funds	Restricted funds		Total funds 2016
			Specific purpose	Endowment			Specific purpose	Endowment	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income and endowments</b>	3								
<i>Income from donations and legacies</i>		15,411	3,768	-	19,179	16,147	4,556	-	20,703
<i>Investment income</i>		594	-	-	594	597	-	-	597
<i>Income from charitable activities</i>									
Children in care		24,008	-	-	24,008	24,955	-	-	24,955
Disabled children		33,144	-	-	33,144	32,857	-	-	32,857
Early years & family support		62,432	753	-	63,185	69,368	515	-	69,883
Young people		11,908	550	-	12,458	10,714	607	-	11,321
Campaigning & public policy		1	-	-	1	1	-	-	1
		131,493	1,303	-	132,796	137,895	1,122	-	139,017
<i>Other income</i>									
Net gain on disposal of fixed assets		235	-	-	235	532	-	-	532
<b>Total income and endowments</b>		<b>147,733</b>	<b>5,071</b>	<b>-</b>	<b>152,804</b>	<b>155,171</b>	<b>5,678</b>	<b>-</b>	<b>160,849</b>
<b>Expenditure</b>	4,5								
<i>Expenditure on raising funds</i>									
Donations and legacies		5,852	-	-	5,852	6,809	37	-	6,846
Investment management costs		40	-	-	40	37	-	-	37
		5,892	-	-	5,892	6,846	37	-	6,883
<i>Expenditure on charitable activities</i>									
Children in care		24,734	29	-	24,763	25,190	41	-	25,231
Disabled children		35,112	358	-	35,470	33,841	205	-	34,046
Early years & family support		66,473	2,970	-	69,443	72,686	2,807	-	75,493
Young people		11,755	1,850	-	13,605	11,735	1,660	-	13,395
Campaigning & public policy		694	-	-	694	653	-	-	653
		138,768	5,207	-	143,975	144,105	4,713	-	148,818
<i>Other expenditure</i>									
Pension finance charge	6	299	-	-	299	1,417	-	-	1,417
<b>Total Expenditure</b>		<b>144,959</b>	<b>5,207</b>	<b>-</b>	<b>150,166</b>	<b>152,368</b>	<b>4,750</b>	<b>-</b>	<b>157,118</b>
Net gain on investments	8	4,920	-	-	4,920	229	-	-	229
<b>Net income for the year before transfers</b>		7,694	(136)	-	7,558	3,032	928	-	3,960
Transfers between funds	14	(237)	237	-	-	83	(83)	-	-
<b>Net income for the year before other recognised losses and gains</b>		<b>7,457</b>	<b>101</b>	<b>-</b>	<b>7,558</b>	<b>3,115</b>	<b>845</b>	<b>-</b>	<b>3,960</b>
<b>Other recognised gains/(losses)</b>									
Actuarial gain/(loss) on pension liability	6	(10,032)	-	-	(10,032)	28,970	-	-	28,970
<b>Net movement in funds</b>		<b>(2,575)</b>	<b>101</b>	<b>-</b>	<b>(2,474)</b>	<b>32,085</b>	<b>845</b>	<b>-</b>	<b>32,930</b>
<b>Funds brought forward</b>	14	54,549	4,747	-	59,296	22,464	3,902	-	26,366
<b>Funds carried forward</b>	14	<b>51,974</b>	<b>4,848</b>	<b>-</b>	<b>56,822</b>	<b>54,549</b>	<b>4,747</b>	<b>-</b>	<b>59,296</b>

All activities derive from continuing operations. The surplus for the year, including realised and unrealised gains of £4,920,000 for Companies Act purposes was £7,558,000 (2016 surplus of £3,960,000, including realised and unrealised gains of £229,000).

Balance sheets

As at 31 March 2017

	Notes	Group		Charity	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	7	23,996	30,391	23,996	30,391
Investments	8	41,170	31,433	31,131	22,934
		65,166	61,824	55,127	53,325
<b>Current assets</b>					
Debtors	9	24,670	23,627	18,865	22,071
Notice deposits		14,731	16,287	14,623	16,282
Cash		317	319	147	-
		39,718	40,233	33,635	38,353
<b>Creditors: amounts falling due within one year</b>	10	(20,747)	(19,383)	(15,043)	(17,531)
<b>Net current assets</b>		18,971	20,850	18,592	20,822
<b>Total assets less current liabilities</b>		84,137	82,674	73,719	74,147
<b>Provisions for liabilities</b>	11	(2,049)	(2,275)	(2,049)	(2,275)
<b>Net assets excluding pension liability</b>		82,088	80,399	71,670	71,872
<b>Pension liability</b>	6	(14,848)	(12,576)	(14,848)	(12,576)
<b>Net assets including pension liability</b>		<b>67,240</b>	<b>67,823</b>	<b>56,822</b>	<b>59,296</b>
<b>Funds</b>					
<i>Restricted funds:</i>					
Endowments		9,803	8,300	-	-
Specific purpose		4,848	4,747	4,848	4,747
<b>Total restricted funds</b>		<b>14,651</b>	<b>13,047</b>	<b>4,848</b>	<b>4,747</b>
<i>Unrestricted funds:</i>					
Designated funds		39,883	30,112	39,883	30,112
General fund	13,14	13,431	26,976	12,816	26,749
Revaluation reserve		14,123	10,264	14,123	10,264
Total general fund and revaluation reserve		27,554	37,240	26,939	37,013
Pension reserve	6	(14,848)	(12,576)	(14,848)	(12,576)
<b>Total unrestricted funds</b>		<b>52,589</b>	<b>54,776</b>	<b>51,974</b>	<b>54,549</b>
<b>Total funds</b>	13,14	<b>67,240</b>	<b>67,823</b>	<b>56,822</b>	<b>59,296</b>

These accounts were approved by the Board on 13 July 2017 and signed on its behalf.

John O'Brien, Chair

Les Clifford, Trustee

Company number 4764232



Consolidated cash flow statements

For the year ended 31 March 2017

	Notes	Group		Charity	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
<b>Net cash outflow from operating activities (below)</b>		<b>(2,733)</b>	<b>(8,454)</b>	<b>(1,677)</b>	<b>(8,741)</b>
<b>Cash flows from investing activities</b>					
Interest received	3	86	101	101	85
Dividends received	3	692	659	659	379
Rental income from investment properties	3	145	133	133	133
Proceeds of sale of tangible fixed assets		763	915	763	915
Purchase of tangible fixed assets	7	(511)	(1,299)	(511)	(1,299)
Proceeds of sale of investments	8	3,305	1,809	3,305	1,809
Purchase of investments	8	(3,305)	(1,588)	(3,305)	(1,588)
<b>Net cash provided by investing activities</b>		<b>1,175</b>	<b>730</b>	<b>1,145</b>	<b>434</b>
<b>Change in cash and cash equivalents in the year</b>		<b>(1,558)</b>	<b>(7,724)</b>	<b>(532)</b>	<b>(8,307)</b>
Cash and cash equivalents at 1 April		16,606	24,330	15,302	23,609
Cash and cash equivalents at 31 March		15,048	16,606	14,770	15,302

Reconciliation of net expenditure to net cash outflow from operating activities

	Notes	2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Net income for the year (as per the statement of financial activities)		9,449	3,318	7,558	3,960
Adjustments for:					
Depreciation charges	7	3,101	2,692	3,101	2,692
Net gains on investment assets		(6,460)	422	(4,920)	(229)
Investment income	3	(923)	(893)	(893)	(597)
Net gains on disposal of tangible fixed assets		(235)	(532)	(235)	(532)
Pension current service and administration cost	6	822	1,045	822	1,045
Pension finance charge	6	299	1,417	299	1,417
Pension employer contributions	6	(8,881)	(9,359)	(8,881)	(9,359)
(Increase)/decrease in debtors		(1,043)	(2,666)	3,206	(3,363)
Increase/(decrease) in creditors		1,364	(3,842)	(1,508)	(3,719)
(Decrease) in provision for liabilities	11	(226)	(56)	(226)	(56)
<b>Net cash outflow from operating activities</b>		<b>(2,733)</b>	<b>(8,454)</b>	<b>(1,677)</b>	<b>(8,741)</b>

Analysis of cash and cash equivalents

	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Cash in hand	317	319	147	-
Bank overdraft	-	-	-	(980)
Notice deposits (less than 3 months)	14,731	16,287	14,623	16,282
Total cash and cash equivalents	15,048	16,606	14,770	15,302

Notes to the financial statements

1. Basis of preparation

The financial statements of the charity, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the 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 Ireland (FRS 102) (Charities SORP (FRS102)) and the Charities Act 2011.

Going concern

After reviewing the group’s forecasts and projections, the directors have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

2. Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, in accordance with the Statement of Recommended Practice (SORP) “Accounting and Reporting by Charities” (SORP 2015), Financial Reporting Standard 102 and the Companies Act 2006.

The particular accounting policies adopted by the Board are described below:

Basis of consolidation

The results of subsidiaries are consolidated on a line by line basis and acquisitions are included at fair value at the date acquired. The statement

of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its wholly owned subsidiaries, Action for Children Services Limited, Action for Children Trading Limited and Action for Children Developments Limited. Based on the nature of the trusts, which have Action for Children as the sole Trustee and share management arrangements and common control with Action for Children, two associated charities, National Children’s Home and Nicholas Galperin Trust are also treated as subsidiaries and consolidated in the group accounts.

Income

All income is included in SOFA when the charity is legally entitled to the income, there is a high degree of probability of receipt of the income and the amount can be quantified with reasonable accuracy. Entitlement, for legacies, is the earlier of the charity being notified of an impending distribution and the legacy being received.

Income from charitable activities, including the full amount of capital grants, is included in the SOFA when receivable.

Where cash is received in respect of contractual work to be undertaken in the next financial year, if there is agreement from the funding body, this is treated as deferred income. Where such agreement has not been obtained it is included in other creditors.

Donations and gifts received at offices and projects during the year are recorded gross, or at estimated value, except that the sale proceeds from gifts donated for resale are included, at their sale price, when they are sold. All other income is reported gross of fees and expenditure whether raised by the charity or its agents, except for small fundraising events, not under the direct control of Action for Children,

where funds are remitted and recorded net of direct expenses.

No amounts are included in the financial statements for services donated by volunteers.

Resources expended

Expenditure is accounted for on an accruals basis and is classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they are allocated to activities on a basis consistent with the use of resources.

The costs of generating funds include fundraising and publicity costs, trading costs and investment management costs. Fundraising and publicity comprises the salaries of staff and other direct and indirect costs, which include appropriate allocations of central support costs.

Resources expended on charitable activities include the operating expenses of social work together with the costs of informing and educating the public about the work, and the costs of other supporting services, management and administration essential to the professional and competent execution of the work. Where arrangements exist for the delivery of work by partner organisations, the cost of this is included within the relevant activity. Where central services support both direct charitable work and fundraising, allocations of their costs are made on a head count basis which reflects the use made of those services.

Governance costs

Governance costs represent the salaries, direct expenditure and overhead costs incurred by the corporate resources department as well as internal and external audit costs. The corporate resources department is involved in the compliance with the constitutional and statutory requirements of operating a charitable company.

Retirement benefits

Action for Children contributes to a variety of pension arrangements on behalf of staff. Most benefits are provided by the Action for Children Pension Fund, which has a number of sections, including defined benefit and defined contribution elements.

The costs of providing defined benefit pensions are treated in accordance with FRS102. The

following elements are charged to the SOFA: the service cost of pension provision relating to the period, together with the costs of any benefits relating to past service (allocated to staff costs); the pension finance cost, which is a charge equal to the increase in the present value of the pension fund’s liabilities at the previous year end, less a credit equivalent to the pension fund’s long-term expected return on assets; and the actuarial gain or loss on the pension fund’s assets and liabilities (allocated to other recognised gains and losses). The difference between the market value of the assets of the pension fund and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet.

Pension costs for the defined contribution part of the Fund are charged to the accounts on an accruals basis in the period in which they occur.

Action for Children also contributes to the teachers’, local government and NHS pension schemes in respect of a number of its employees. All such costs are included within the SOFA on an accruals basis as incurred.

Leases

Rentals under operating leases are charged to the SOFA over the term of the lease on a straight line basis.

Value Added Tax

As part of Action for Children’s activities is classified as exempt or non-business activities for the purposes of VAT, Action for Children is unable to reclaim all the VAT that it suffers on its operating costs.

Expenditure in these financial statements is therefore shown inclusive of VAT paid and not reclaimable.

Funds

General funds are unrestricted funds which are available for use, at the discretion of the Board, in furtherance of the general objectives of the charity and which have not been designated for particular purposes.

The revaluation reserve comprises the difference between the historical cost of fixed asset investments and the revalued amount included in the balance sheet.

Designated funds comprise unrestricted funds that have been set aside by the Board for particular purposes. The aim and use of each

designated fund are set out in the annual report of the Board and the notes to the financial statements. The Board periodically reviews the levels of designated funds to ensure that they are adequate to support the purposes for which they were set up, and any surplus or deficit is transferred to or from general funds.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors, or which have been raised by the charity for particular purposes. The costs of administering such funds are charged against the specific fund.

Endowment funds represent those assets that must be held permanently by the charity, and are invested to produce income to meet expenditure, either as directed by the endowment or for general purposes.

Tangible fixed assets

Tangible assets are recorded at cost or, in cases where tangible assets have been donated to Action for Children or acquired through a merger, at open market valuation at the time of the donation or merger.

Assets in the course of construction are transferred to the relevant category of asset and depreciated when practical completion is achieved. The threshold for capitalisation is £1,000.

Depreciation is charged on the following basis: In the case of freehold buildings the acquisition cost of buildings, together with any adaptation costs that add value to the property, is capitalised and depreciated over the estimated useful life of the property. No depreciation is provided on freehold land.

For the purposes of depreciation, 999 year leasehold buildings are treated as if they were freehold buildings. Capital expenditure on other leasehold buildings will normally be regarded as a depreciating cost and as such is written off over the estimated useful life (see below).

Other tangible assets are depreciated on a straight line basis over their useful lives which are estimated to be:

Assets in the course of construction	no depreciation
Freehold buildings	50 years
Leasehold buildings	10 years or lease period if shorter
Equipment	4 years
Computer software	4 years

Computer software (major)	5 years
Furniture and fittings	5 years
Motor vehicles	4-6 years

When the currently expected useful life of individual assets is considered to be less than these periods, shorter periods are used.

Investments

Action for Children holds investments both in order to generate income for the support of charitable activities over a long-term period and to provide assets to meet the needs of reserves, identified in the reserves policy. Investments are stated at current market value on the balance sheet date unless there is evidence of a different fair value.

Investment properties are revalued at the end of each year on the basis of open market value. The valuations have been prepared by external firms of chartered surveyors.

Gains or losses arising during the year are disclosed in the consolidated statement of financial activities within other recognised gains and losses in the year and in note 7.

Liquid resources

Liquid resources are represented by cash balances held on a short term basis.



3. Income and endowments

Incoming resources from charitable activities are analysed across the main activities of Action for Children on the face of the statement of financial activities. This income is mostly derived from work with local authorities, health trusts and central government sources, providing services to children, young people and their families.

Donations and legacies

	Group		Charity	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Donations	11,962	12,631	14,941	15,246
Legacies	4,238	5,457	4,238	5,457
	16,200	18,088	19,179	20,703

Specific purpose receipts included above are £3,853,000 for donations (2016: £4,304,000) and £nil for legacies (2016: £252,000).

Subsidiaries and associated charities

Action for Children Services Limited, Action for Children Trading Limited and Action for Children Developments Limited are wholly owned trading subsidiaries of Action for Children, the charity. They are engaged in delivering welfare and educational services on behalf of the charity and fundraising respectively. All profits are gift aided to the charity. National Children’s Home (NCH), the unincorporated charity, and Nicholas Galperin Trust are associated charities that share common Trustees and management.

A summary of the results for the year ended 31 March 2017 is given below:

	Trading subsidiaries			Associated charities		Total 2017	Total 2016
	Services	Trading	Developments	NCH	Nicholas Galperin		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	34,876	189	6,899	-	-	41,964	30,816
Cost of sales	(32,180)	(51)	(6,383)	-	-	(38,614)	(28,227)
Gross profit	2,696	138	516	-	-	3,350	2,589
Charitable activities	-	-	-	(198)	(2)	(200)	(270)
Administration costs	(12)	(3)	(145)	-	(1)	(161)	(15)
Surplus/(deficit) on ordinary activities before investment income	2,684	135	371	(198)	(3)	2,989	2,304
Investment income	14	3	1	198	114	330	296
Net (losses)/gains on investment assets	-	-	-	979	561	1,540	(651)
Surplus on ordinary activities before Gift Aid	2,698	138	372	979	672	4,859	1,949

3. Income and endowments (continued)

The net assets of the subsidiaries and associated charities are set out below:

	Trading subsidiaries			Associated charities		Total 2017	Total 2016
	Services	Trading	Developments	NCH	Nicholas Galperin		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets	-	-	-	6,382	3,657	10,039	8,499
Current assets	10,325	516	1,725	57	140	12,763	8,211
Creditors	(10,127)	(498)	(1,703)	(57)	(1)	(12,386)	(8,183)
Net assets	198	18	22	6,382	3,796	10,416	8,527

Investment and other income

	Group		Charity	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Unlisted equities	5	-	5	-
CFB funds - UK	599	558	287	278
CFB funds - Overseas	88	101	88	101
Interest income	86	101	69	85
Income from securities	778	760	449	464
Rental income from investment properties	145	133	145	133
	923	893	594	597

4. Expenditure

Group			2017			2016
	Direct costs	Support costs	Total	Direct costs	Support costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Expenditure on raising funds</i>						
Donations	5,509	229	5,738	6,420	267	6,687
Legacies	153	6	159	165	7	172
	5,662	235	5,897	6,585	274	6,859
Trading	6,319	493	6,812	-	-	-
Investment management costs	40	-	40	37	-	37
	12,021	728	12,749	6,622	274	6,896
<i>Expenditure on charitable activities</i>						
Children in care	23,748	995	24,743	23,802	1,431	25,233
Disability	31,659	3,762	35,421	29,650	4,407	34,057
Early years & family support	63,619	5,780	69,399	66,202	9,285	75,487
Young people	12,594	943	13,537	12,035	1,366	13,401
Campaigning & public policy	663	30	693	636	17	653
	132,283	11,510	143,793	132,325	16,506	148,831
<i>Other expenditure</i>						
Pension finance charge	299	-	299	1,417	-	1,417
Total expenditure	144,603	12,238	156,841	140,364	16,780	157,144
Charity			2017			2016
	Direct costs	Support costs	Total	Direct costs	Support costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Expenditure on raising funds</i>						
Donations	5,455	238	5,693	6,410	264	6,674
Legacies	153	6	159	165	7	172
	5,608	244	5,852	6,575	271	6,846
Investment management costs	40	-	40	37	-	37
	5,648	244	5,892	6,612	271	6,883
<i>Expenditure on charitable activities</i>						
Children in care	23,728	1,035	24,763	23,801	1,430	25,231
Disability	31,555	3,915	35,470	29,642	4,404	34,046
Early years & family support	63,428	6,015	69,443	66,215	9,278	75,493
Young people	12,624	981	13,605	12,030	1,365	13,395
Campaigning & public policy	662	32	694	636	17	653
	131,997	11,978	143,975	132,324	16,494	148,818
<i>Other expenditure</i>						
Pension finance charge	299	-	299	1,417	-	1,417
Total expenditure	137,944	12,222	150,166	140,353	16,765	157,118

Support costs comprise HR, training, strategy, premises, finance, IT and governance costs to the organisation. All support costs are allocated on the basis of the number of employees across the different activities.

4. Expenditure (continued)

Trustee costs

8 Trustees were reimbursed travel expenses totalling £5,000 (2016 9 recipients of £8,000). Trustees are not entitled to and did not receive any remuneration.

	2017	2016
	£'000	£'000
<b>Fees payable to the auditors of Action for Children</b>		
In respect of the charity audit	115	103
In respect of subsidiary and associated trust audits	5	15
	120	118
In respect of certificates for project partners	47	57
In respect of tax and other advice	76	60
	243	235
<b>Value added tax</b>		
As stated in the accounting policy, Action for Children is unable to reclaim all the value added tax which it suffers on its purchases of goods and services.		
During the year the cost of irrecoverable value added tax amounted to:		
	3,761	4,094
<b>Rentals under operating leases</b>		
Plant and machinery	343	16
Land and buildings	3,063	2,562
	3,406	2,578
	3,101	2,692
<b>Depreciation</b>		
<b>Governance costs</b>		
Wages, salaries and related costs	404	278
Internal and external audit fees	141	225
Legal fees	44	24
Other costs	87	150
	676	677

Governance costs are included within support costs.



5. Employees’ emoluments

Staff costs comprise:	2017	2016
	£'000	£'000
Wages and salaries	85,149	86,005
Redundancy costs	1,288	638
Ex gratia costs	389	286
Temporary staff costs	7,202	7,541
Social security costs	6,946	6,917
Action for Children Pension Fund – defined benefit current service cost	118	220
Action for Children Pension Fund – defined contribution cost	3,478	3,377
Teachers', Local Government Pension Schemes and NHS Pension Fund contributions	821	843
	105,391	105,827

Redundancy costs represent amounts due to employees in accordance with UK legislation regarding redundancy payments. At 31 March 2017 the amount due but not paid was £139,000 (2016: £213,000). Ex gratia payments represent amounts paid to employees when made redundant. Such payments are made at the discretion of senior management and are non contractual.

Other than the Action for Children Pension Fund, the charity participates in a number of defined benefit schemes, where the accounting treatment is as for defined contribution plans. The Teachers Pension Scheme and the NHS Pension Fund are unfunded schemes. Liabilities in addition to ongoing contributions potentially arise with redundancy or early retirement. But that is a risk controlled by the charity, and provision is made for the full liability if the occurrence arises. The charity also has admitted body status in various Local Government Pension Schemes (LGPS), which may potentially carry a risk to the charity. Action for Children ensures that potential risks outside its control are passed back to the relevant local authority in line with the Department for Communities and Local Government guidance dated December 2009, “Admitted body status provisions in the Local Government Pension Scheme when services are transferred from a local authority or other scheme employer”, and the local authority retains the actuarial, mortality, inflation, regulatory changes, discount rate and investment return risks.

The average number of employees during the year was:	2017	2016
	No.	No.
Fundraising	139	132
Charitable activities	4,678	4,807
Support services	196	204
	5,013	5,143
Number of full time equivalents at year end	3,757	3,088

5. Employees’ emoluments (continued)

The number of staff whose emoluments fell within each of the following bands was:	2017	2016
	No.	No.
£60,001 to £70,000	25	26
£70,001 to £80,000	15	6
£80,001 to £90,000	5	6
£90,001 to £100,000	1	1
£110,001 to £120,000	1	2
£120,001 to £130,000	1	2
£150,001 to £160,000	1	1

Of the staff listed above, 48 were accruing benefits under the Action for Children Pension Fund defined contribution section (in 2016 it was 40). The amount of contributions paid in respect of these staff to the scheme was £233,000 (2016 £114,000).

The total emoluments paid in 2016/17 and the current annual salaries of existing key management personnel are shown below. In the bandings above, where these staff are also included, the required definition of emoluments is total gross pay plus any benefits in kind. The analysis below also includes employer pension and national insurance contributions and termination payments.

As shown in note 4, Trustees are not entitled to and do not receive any remuneration.

	Total emoluments 2016/17 <sup>(i)</sup>	Current annual salary	Contribution to pension scheme
	£	£	%
Chief Executive Officer – Sir Tony Hawkhead	184,322	150,000	7%
Managing Director Operations – Jan Leightley (to 30 September 2016)	69,740	120,000	7%
Managing Director Operations – Carol Iddon (from 12 September 2016) <sup>(i)</sup>	138,408	120,000	5%
Managing Director Commercial and Shared Services – Charles Scott	142,956	121,700	5%
Managing Director Fundraising, Communications and Policy – Nicholas Jones (from 20 February 2017) <sup>(ii)</sup>	12,067	120,000	7%
Managing Director People and Organisation – Graham Charsley (to 7 October 2016)	73,953	120,000	7%

(i) Carol Iddon was appointed on an acting basis from another role within Action for Children, to cover for Jan Leightley during a period of illness absence, before being appointed to the role in September 2016. The total emoluments in the table above relate to payments made during the whole of 2016/17.  
(ii) A consultant, Sally Nichols, was appointed as Interim Managing Director Fundraising, Communications and Policy up to 8 April 2016. She was paid £10,000 per month excluding VAT, and the cost to Action for Children was £14,481 for 2016/17.  
(iii) The total cost of key management personnel for 2016/17 was £635,927 (2015/16 £891,114).

6. Pensions

Action for Children provides pension benefits mainly through the Action for Children Pension Fund. The assets of the Pension Fund are held in a separate Trustee administered fund.

Current staff are members of the defined contribution section of the Pension Fund, into which new employees are auto-enrolled.

Until 30 April 2010 benefits were provided to employees through a number of defined benefit sections and a hybrid scheme combining career average revalued earnings and defined contribution arrangements. On 1 May 2010, following a review of benefits and consultation with members of the Pension Fund, staff of Action for Children and Unions, all sections of the Pension Fund were closed, with one exception, for both new and existing members. Staff who transfer to Action for Children under Fair Deal TUPE arrangements are eligible to join a defined benefit section of the Pension Fund comparable to the local government pension scheme. A new defined contribution section was created for all other staff.

The Pension Fund is subject to triennial valuations by an independent actuary. The last valuation as at 31 March 2015 showed a deficit of £94m, a funding level of 84%, comparing the market value of the assets of the Pension Fund to the estimated value of liabilities to members. In conjunction with the actuarial valuation a recovery plan and schedule of contributions was agreed with the Trustees of the Pension Fund. The actuarial estimate is that the Pension Fund assets and liabilities will be balanced by 2029.

The recovery plan, accepted by the Pensions Regulator, is underpinned by a Memorandum of Understanding to regularly communicate and share information between the employer and the Pension Fund. Action for Children is paying deficit contributions of £7.5m per annum. There is a charge in favour of the Pension Fund over assets of £40m owned by Action for Children in the event of default. The Memorandum of Understanding includes agreement that up to 50% of the receipt from some property sales, less any investment in property, is paid to the Pension Fund.

Action for Children pays a 2% contribution for all active members into the defined benefit section to cover death in service and to meet the administration costs of the Pension Fund.

Contribution rates for the Fair Deal TUPE section range from 5.5% to 8.5% for the employee and 35.1% for the employer.

The total employer contribution to the defined benefits section of the Action for Children Pension Fund for the year was £8,881,000 (2016 £9,359,000).

Contributions for the defined contribution section are variable with the following matching rates:

<b>Employee</b>	3%	4%	5%	6%	7%	above 7%
<b>Employer</b>	5%	5%	5%	6%	7%	7%

Membership of the Pension Fund at 31 March 2017 was:

	2017	2016
Active members - defined benefit section	23	37
Active members - defined contribution section	3,121	2,830
	3,144	2,867
Deferred members	5,359	4,869
Pensioner members	2,443	2,321
	10,946	10,057

6. Pensions (continued)

Pension funds are valued in different ways for different purposes. The triennial valuation noted above is carried out to establish an appropriate funding level, and uses prescribed financial assumptions that are different from the assumptions that must be used under the Financial Reporting Standard, FRS 102 valuation detailed below, which is carried out for accounting disclosure purposes. The FRS valuation uses lower inflation and higher interest/discount rate assumptions than the triennial valuation, and both of these differences lead to a lower calculation of pension liabilities.

At 31 March 2017, on the ongoing valuation basis used for the triennial valuation, the deficit was £100m, a funding level of 86%. The FRS 102 position shown below is a deficit of £15m, a funding level of 98%.

Both valuations are correct, but this disparity is not helpful in measuring and understanding the liability of the Pension Fund to Action for Children. However, it is the ongoing valuation basis that is used in agreeing contribution levels and the recovery plan. Although movements in the FRS 102 valuation show in the statement of financial activities and feed through to the balance sheet total, they do not change the level of the general fund. It is the general fund that is directly linked to the reserves policy and important in assessing the charity’s ability to manage its future operations. The deficit contributions are reflected in the charity’s business plans and the assessment of the charity’s reserves policy.

Whilst the settlement of pension liabilities is a very long-term process, with costs spread over many years, the funding level is volatile. Valuations are snapshots on one day and are sensitive to changes in financial market factors. The actuary provides a regular report on the funding position of the Pension Fund and this is closely monitored by the Pension Fund and charity.



6. Pensions (continued)

FRS 102 valuation

These financial statements have been prepared in line with the requirements of FRS 102. The FRS 102 valuation is only in respect of the defined benefit sections of the Action for Children Pension Fund and the following analysis only covers that element of the Pension Fund. The principal FRS 102 actuarial assumptions determined by financial markets and demographic conditions are shown below. A later table shows the sensitivity of the liability to these assumptions.

Financial assumptions

	2017	2016
Inflation - RPI	3.20% pa	3.05% pa
Inflation - CPI	2.20% pa	2.05% pa
Rate of increase in salaries	3.70% pa	3.55% pa
Rate of increase in pensions in payment	3.10% pa	3.05% pa
Rate of increase in deferred pensions	2.20% pa	2.15% pa
Discount rate	2.55% pa	3.40% pa

Demographic assumptions

	2017		2016	
Average life expectancy in years:	Males	Females	Males	Females
Member currently aged 60	87.7	90.2	87.0	89.8
Member currently aged 40, aged 60 in 2036	89.6	92.0	90.1	92.5

Action for Children Pension Fund subscribes to ClubVita (a subsidiary of Hymans Robertson), which provides demographic and longevity analysis based on pooled experience from occupational pension schemes.

The mortality assumption derived for the Fund is calculated with reference to key characteristics of each individual member within the Fund that are known to affect life expectancy. It considers and takes into account each members affluence, lifestyle, age, gender and retirement type. The future improvements in longevity are assumed to be in line with the core assumptions of the 2014 CMI model with a long term improvement rate of 1.5% pa for males and females.

6. Pensions (continued)

Balance sheet position

	2017		2016	
	Value	Asset allocation	Value	Asset allocation
	£'000	%	£'000	%
Liability driven investment fixed interest	234,009	39	94,529	19
Government fixed interest	-	-	81,568	16
Equities	178,789	30	133,837	27
Corporate debt	69,482	12	95,315	19
Property	75,061	12	50,911	10
Diversified growth funds	30,316	5	42,507	8
Net current assets	14,789	2	4,491	1
Total fair value of assets	602,446	100	503,158	100
Actuarial value of liabilities	(617,294)		(515,734)	
Deficit recognised in the balance sheet	(14,848)		(12,576)	

Analysis of amounts charged to the statement of financial activities

	2017	2016
	£'000	£'000
Current service cost	(118)	(220)
Administration costs	(704)	(825)
Charged to total expenditure	(822)	(1,045)
Interest income on the Pension Fund assets	16,928	16,159
Interest cost on the Pension Fund liabilities	(17,227)	(17,576)
Pension finance charge	(299)	(1,417)
Actual return on assets excluding amounts included in net interest	90,430	(14,167)
Actuarial on liabilities	(100,462)	43,137
Total recognised actuarial (loss)/gain	(10,032)	28,970

6. Pensions (continued)

Reconciliation of the fair value of the Pension Fund assets and liabilities

	Assets	Liabilities	Fund	Assets	Liabilities	Fund
	2017	2017	2017	2016	2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Assets/(liabilities) at the start of the year	503,158	(515,734)	(12,576)	508,791	(557,234)	(48,443)
Interest income/(cost)	16,928	(17,227)	(299)	16,159	(17,576)	(1,417)
Current service cost	-	(118)	(118)	-	(220)	(220)
Administration costs	-	(704)	(704)	-	(825)	(825)
Contributions by members	25	(25)	-	41	(41)	-
Contributions by the employer	8,881	-	8,881	9,359	-	9,359
Actuarial gain/(loss)	90,430	(100,462)	(10,032)	(14,167)	43,137	28,970
Benefits and expenses paid	(16,976)	16,976	-	(17,025)	17,025	-
Assets/(liabilities) at the end of the year	602,446	(617,294)	(14,848)	503,158	(515,734)	(12,576)

The estimated Action for Children contributions to the defined benefit sections of the Pension Fund for the year to 31 March 2018 are £8,900,000.

Sensitivity of the Pension Fund liabilities

The sensitivity of the liabilities (in both percentage and £ terms) to changes in the key assumptions used to measure the Pension Fund’s liabilities is shown in the table below.

Assumption	Change in assumption	Impact on Pension Fund liabilities %	Impact on Pension Fund liabilities £m
Discount rate	+/- 0.1%	-/+ 2.07%	-/+ £12.8m
Rate of inflation	+/- 0.1%	+/- 1.68%	+/- £10.3m
Rate of salary growth	+/- 0.1%	+/- 0.03%	+/- £0.2m
Life expectancy	+/- 1 year	+/- 3.00%	+/- £18.5m

7. Tangible fixed assets

Group and Charity	Assets in the course of construction	Freehold land and buildings	Leasehold land and buildings	Computers and equipment	Furniture and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2016	482	38,056	6,488	18,375	3,469	2,809	69,679
Additions	288	-	219	4	-	-	511
Transfers	(243)	-	-	243	-	-	-
Reclassification as investments	-	(6,233)	-	-	-	-	(6,233)
Disposals	-	(420)	(2,518)	-	(19)	(484)	(3,441)
At 31 March 2017	527	31,403	4,189	18,622	3,450	2,325	60,516
Depreciation							
At 1 April 2016	-	13,053	5,195	15,795	3,352	1,893	39,288
Charges for year	-	1,216	406	1,113	31	335	3,101
Transfers	-	-	-	-	-	-	-
Reclassification as investments	-	(2,956)	-	-	-	-	(2,956)
Disposals	-	(139)	(2,334)	-	(17)	(423)	(2,913)
At 31 March 2017	-	11,174	3,267	16,908	3,366	1,805	36,520
Net book value:							
At 31 March 2017	527	20,229	922	1,714	84	520	23,996
At 31 March 2016	482	25,003	1,293	2,580	117	916	30,391

Assets in the course of construction comprise incomplete building, major refurbishment and capital project work, and are not depreciated.

The cost of land, which is not depreciated, was £5,653,000 (2016 £7,527,000).

Of the total cost or valuation of leasehold land and buildings £1,190,000 (2016 £1,359,000) relates to leases due to expire within 50 years or less.

Other than adjusted, it is not considered that any assets have suffered permanent impairment to their value.

Capital commitments for contracts placed in respect of capital expenditure less amounts incurred to 31 March 2017 amounted to £nil (2016 £nil).

Commitments to operating lease payments were:

	Land and buildings	Plant and equipment	2017	2016
	£'000	£'000	£'000	£'000
Within one year	273	-	273	130
Between one and five years	1,373	-	1,373	1,075
After five years	9,893	-	9,893	8,525
	11,539	-	11,539	9,730



8. Investments

Value at 31 March		Group		Charity	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
<b>Securities</b>					
Units in funds managed by the Central Finance Board of the Methodist Church:					
	Action for Children share of funds				
CFB UK equity fund	1.4%	5,625	6,019	5,625	6,019
CFB overseas fund	3.1%	5,719	6,175	5,719	6,175
CFB gilt fund	2.7%	701	343	701	343
CFB corporate bond fund	0.8%	801	529	801	529
CFB short fixed interest fund	12.5%	2,352	1,039	2,352	1,039
CFB managed fund	32.9%	10,039	8,499	-	-
CFB inflation linked	2.7%	637	407	637	407
CFB deposit fund	0.7%	2,562	1,337	2,562	1,337
		28,436	24,348	18,397	15,849
Unlisted equities		5	5	5	5
		28,441	24,353	18,402	15,854
<b>Investments in subsidiaries</b>					
		-	-	-	-
		28,441	24,353	18,402	15,854
<b>Investment properties</b>					
		12,729	7,080	12,729	7,080
<b>Total investments</b>					
		41,170	31,433	31,131	22,934

All investments are held in the UK.

Investments are valued at current market value. Unlisted investments are valued at cost or, if donated to Action for Children, at valuation at the time of donation.

Investments in subsidiaries are valued at the higher of cost and estimated value at the time of acquisition less any diminution in value.

Investment properties are valued at the end of each year on the basis of open market value by external firms of chartered surveyors.

The historical cost or earliest known valuations of investments held at 31 March 2017 were:

Securities £17,285,000 (2016 £17,449,000)    Investment properties £3,469,000 (2016 £192,000)

8. Investments (continued)

Investment gains and losses

	Group		Charity	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<b>Securities</b>				
Market value at 1 April	24,353	25,090	15,854	15,940
Acquisitions during the year	3,305	1,588	3,305	1,588
Sale proceeds of disposals during the year	(3,305)	(990)	(3,305)	(990)
Net investment gains/(losses) in SOFA - realised	333	(26)	333	(26)
Net investment gains/(losses) in SOFA - unrealised	3,755	(1,309)	2,215	(658)
Market value at 31 March	28,441	24,353	18,402	15,854
<b>Investment properties</b>				
Market value at 1 April	7,080	6,986	7,080	6,986
Reclassification from fixed assets at book value	3,277	-	3,277	-
Sale proceeds of disposals during the year	-	(819)	-	(819)
Net investment gains in SOFA - realised	-	224	-	224
Net investment gains in SOFA - unrealised	2,372	689	2,372	689
Market value at 31 March	12,729	7,080	12,729	7,080

Investments in subsidiaries

- (i)     Action for Children Services Limited is a wholly owned company registered in England and Wales handling the primary purpose trading activities of Action for Children. The investment comprises shares at a cost of £100 (2016 £100).
- (ii)    Action for Children Trading Limited is a wholly owned company registered in England and Wales handling fundraising trading activities of Action for Children. The investment comprises shares at a cost of £100 (2016 £100).
- (iii)   Action for Children Developments Limited is a wholly owned company registered in England and Wales handling nursery and new developmental activities of Action for Children. It is limited by guarantee.
- (iv)    Action for Children (Scotland) Limited is a wholly owned company registered in Scotland. The investment comprises one share at a cost of £1 (2016 £1) and it has not traded.
- (v)     Action for Children (Wales) Limited is a wholly owned company registered in England and Wales. The investment comprises one share at a cost of £1 (2016 £1) and it has not traded.
- (vi)    Action for Children (Northern Ireland) Limited is a wholly owned company registered in Northern Ireland. The investment comprises one share at a cost of £1 (2016 £nil) and it has not traded.

9. Debtors

	Group		Charity	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year - other	49	74	-	-
	49	74	-	-
Amounts falling due within one year				
Trade receivables	16,959	16,366	8,681	10,478
Prepayments	694	876	694	876
Accrued income	6,587	5,882	3,916	5,481
Amounts owed by subsidiary undertakings	-	-	4,630	4,632
Other	381	429	944	604
	24,621	23,553	18,865	22,071
	24,670	23,627	18,865	22,071

10. Creditors: amounts falling due within one year

	Group		Charity	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank overdraft	-	-	-	980
Trade payables	3,185	3,056	3,184	3,055
Tax and Social Security	3,654	2,962	1,719	1,784
Other creditors	4,570	3,828	2,988	3,277
Accruals	5,164	5,069	5,120	5,054
Deferred income	4,174	4,468	2,032	3,381
	20,747	19,383	15,043	17,531

11. Provisions for liabilities

Group and Charity	Fixed asset capital grants	Onerous leases	Lease dilapidations	Redundancies	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April	279	774	870	352	2,275
Additional provision in the year	-	279	213	139	631
Provision utilised	(279)	(91)	(135)	(352)	(857)
At 31 March	-	962	948	139	2,049

Fixed asset capital grants of £279,000 brought forward represent the net book value of Sure Start properties that had been funded by capital grants. During the year the two remaining properties covered by the provision were transferred back to the relevant local authorities and so the provision is no longer required.

12. Analysis of group net assets between funds

Fund balances at 31 March 2017 are represented by:	Restricted		Unrestricted			Group balance sheet total
	Endowment funds	Specific purpose funds	Designated funds	General fund and revaluation reserve	Pension reserve	
	£'000	£'000	£'000	£'000	£'000	
Tangible fixed assets	-	-	23,996	-	-	23,996
Investments	9,803	-	15,887	15,480	-	41,170
Debtors	57	-	-	24,613	-	24,670
Cash and short term deposits	-	4,848	-	10,200	-	15,048
Other liabilities and provisions	(57)	-	-	(22,739)	-	(22,796)
Pension liability	-	-	-	-	(14,848)	(14,848)
Total funds	9,803	4,848	39,883	27,554	(14,848)	67,240

Further analysis of the funds and movements during the year are given in note 13. The purposes of the main funds are noted below.

Endowment funds are monies received which must be retained as a capital fund for the benefit of the charity. The Annual Income fund provides income for general purposes. The Nicholas Galperin Trust operates for the relief of young persons under the age of 25 who are in need, hardship or distress.

St Leonard’s Convalescent Home Trust provides the advantages of a temporary home to children who require the benefit of sea air.

Specific purpose funds represent legacies, donations and other income that can only be used for particular purposes.

Designated funds are part of the charity’s unrestricted funds that are earmarked by the Trustees for a particular purpose and currently comprises the capital fund. The capital fund is the value of charity assets invested in fixed assets used in the charity’s operational work, net of capital grants and associated financing. The transfers out of designated funds reflect the net amounts released to the general fund in the current year. For the capital fund this is principally depreciation, offset by new purchases, and the release of the provision for capital grants. The charged asset fund is the value of charity assets charged to the pension fund less the value of operational properties which are already part of the capital fund.

The revaluation reserve represents the difference between the historic costs of investment fixed assets and the revalued amount included in the balance sheet, excluding investments that are part of endowment funds.

The FRS 102 valuation detailed in note 6 gives rise to an asset or liability being recognised by the charity. The recognition of the pension asset or liability results in the creation of a pension reserve, as included above.



13. Group statement of fund movements

	Note	Brought forward	Income	Expenditure	Transfers	Gains and losses	Carried forward
		£'000	£'000	£'000	£'000	£'000	£'000
Annual Income fund		2,356	-	-	-	427	2,783
Lincoln City & County Home		71	-	-	-	13	84
Nicholas Galperin Trust		2,897	-	-	-	525	3,422
Scholarship fund		342	-	-	-	61	403
Sheila Mildred Gage		12	-	-	-	2	14
Sidney Charles Salter		289	-	-	-	52	341
St Leonard's Convalescent Home		2,333	-	-	-	423	2,756
Endowment funds		8,300	-	-	-	1,503	9,803
Balfour Beatty (Play Equipment)		114	-	-	-	-	114
Bank of Scotland Foundation		8	-	(14)	6	-	-
Barclaycard		281	-	(166)	3	-	118
Big Lottery Fund	15	420	948	(1,097)	92	-	363
Byte Nite Board		306	71	(175)	15	-	217
Chevron (Energy for Learning)		23	-	-	-	-	23
Dell (Inspire IT)		121	231	(223)	-	-	129
Fedex (Delivering Change)		117	64	(62)	-	-	119
Football Association		25	-	-	-	-	25
Fujitsu (Digital Case Files)		260	346	(60)	-	-	546
GAP (EP)		32	-	(32)	-	-	-
HBOS Foundation (Housing Matters)		24	-	-	-	-	24
Health & Social Care Board (WatersideSurestart)		-	497	(497)	-	-	-
Herbal Life (Healthy Lifestyles)		27	23	(11)	-	-	39
Heritage Lottery Fund (BME Heritage)		-	84	(64)	-	-	20
Home Sense		356	-	(96)	-	-	260
House of Fraser		-	214	(23)	-	-	191
Legacies		300	-	-	-	-	300
Les Hutchison (Silverton Short Breaks)		29	1	(33)	3	-	-
Morrisons Foundation		50	165	(56)	-	-	159
My Action for Children		113	-	(28)	22	-	107
Nestle		19	-	-	-	-	19
NHS Eilean Siar (Western Isles Alcohol & Drug Partnership)		-	52	(65)	13	-	-
Northern Ireland Housing Executive	15	114	753	(854)	(13)	-	-
Northern Rock Foundation		1	72	(59)	-	-	14
Sandwell Family Partners		43	60	(69)	-	-	34
Stavros Niarchos Foundation (Wigan FIP)		51	50	(68)	-	-	33
St Leonard's Convalescent Home		-	85	(85)	-	-	-
Tampon Tax Fund (Swansea Sail)		-	67	(80)	13	-	-
Turner & Townsend Education		19	57	(10)	-	-	66
Wrigley Oral Health		-	225	(105)	-	-	120
Other projects under £50,000		1,894	1,091	(1,260)	83	-	1,808
Specific purpose funds		4,747	5,156	(5,292)	237	-	4,848

13. Group statement of fund movements (continued)

	Note	Brought forward	Income	Expenditure	Transfers	Gains and losses	Carried forward
		£'000	£'000	£'000	£'000	£'000	£'000
Capital fund		30,112	-	-	(6,116)	-	23,996
Charged asset fund		-	-	-	15,887	-	15,887
Designated funds		30,112	-	-	9,771	-	39,883
General fund		26,976	154,674	(159,309)	(10,008)	1,098	13,431
Revaluation reserve		10,264	-	-	-	3,859	14,123
General fund and revaluation reserve		37,240	154,674	(159,309)	(10,008)	4,957	27,554
Pension reserve	5	(12,576)	-	7,760	-	(10,032)	(14,848)
Total - unrestricted		54,776	154,674	(151,549)	(237)	(5,075)	52,589
Total funds		67,823	159,830	(156,841)	-	(3,572)	67,240

The designated charged asset fund was created during 2016/17 to reflect the value of charity assets charged to the Pension Fund, that are not already included in the capital fund. Creating this designated fund reduces the general fund. If this designation had been made at 31 March 2016, the general fund and revaluation reserve, which make up the charity’s general reserves, would have reduced from £37,240,000 to £23,137,000. Which compares to the 31 March 2017 balance of £27,554,000.

14. Charity statement of fund movements

	Note	Brought forward	Income	Expenditure	Transfers	Gains and losses	Carried forward
		£'000	£'000	£'000	£'000	£'000	£'000
Balfour Beatty (Play Equipment)		114	-	-	-	-	114
Bank of Scotland Foundation		8	-	(14)	6	-	-
Barclaycard		281	-	(166)	3	-	118
Big Lottery Fund	15	420	948	(1,097)	92	-	363
Byte Nite Board		306	71	(175)	15	-	217
Chevron (Energy for Learning)		23	-	-	-	-	23
Dell (Inspire IT)		121	231	(223)	-	-	129
Fedex (Delivering Change)		117	64	(62)	-	-	119
Football Association		25	-	-	-	-	25
Fujitsu (Digital Case Files)		260	346	(60)	-	-	546
GAP (EP)		32	-	(32)	-	-	-
HBOS Foundation (Housing Matters)		24	-	-	-	-	24
Health & Social Care Board (Waterside Surestart)		-	497	(497)	-	-	-
Herbal Life (Healthy Lifestyles)		27	23	(11)	-	-	39
Heritage Lottery Fund (BME Heritage)		-	84	(64)	-	-	20
Home Sense		356	-	(96)	-	-	260
House of Fraser		-	214	(23)	-	-	191
Legacies		300	-	-	-	-	300
Les Hutchison (Silverton Short Breaks)		29	1	(33)	3	-	-
Morrisons Foundation		50	165	(56)	-	-	159
My Action for Children		113	-	(28)	22	-	107
Nestle		19	-	-	-	-	19
NHS Eilean Siar (Western Isles Alcohol & Drug Partnership)		-	52	(65)	13	-	-
Northern Ireland Housing Executive	15	114	753	(854)	(13)	-	-
Northern Rock Foundation		1	72	(59)	-	-	14
Sandwell Family Partners		43	60	(69)	-	-	34
Stavros Niarchos Foundation (Wigan FIP)		51	50	(68)	-	-	33
Tampon Tax Fund (Swansea Sail)		-	67	(80)	13	-	-
Turner & Townsend Education		19	57	(10)	-	-	66
Wrigley Oral Health		-	225	(105)	-	-	120
Other projects under £50,000		1,894	1,091	(1,260)	83	-	1,808
Specific purpose funds		4,747	5,071	(5,207)	237	-	4,848
Capital fund		30,112	-	-	(6,116)	-	23,996
Charged asset fund		-	-	-	15,887	-	15,887
Designated funds		30,112	-	-	9,771	-	39,883
General fund		26,749	147,733	(152,719)	(10,008)	1,061	12,816
Revaluation reserve		10,264	-	-	-	3,859	14,123
General fund and revaluation reserve		37,013	147,733	(152,719)	(10,008)	4,920	26,939
Pension reserve	5	(12,576)	-	7,760	-	(10,032)	(14,848)
Total - unrestricted		54,549	147,733	(144,959)	(237)	(5,112)	51,974
Total funds		59,296	152,804	(150,166)	-	(5,112)	56,822

15. Group and Charity statement of fund movements, further detail

Funds received from the following trusts and organisations have been granted towards expenditure on the following projects:

	Brought forward	Incoming resources	Outgoing resources	Transfers	Carried forward
	£'000	£'000	£'000	£'000	£'000
Big Lottery Fund					
Denbighshire Bridge	15	125	(137)	2	5
Family Support Link	-	35	(35)	-	-
Family Support Volunteers	7	78	(57)	-	28
Functional Family Therapy	2	-	-	-	2
Gael Og Digitalising Future Generations	6	-	(5)	-	1
Improving Family Futures Bridgend	105	102	(130)	-	77
Little Steps Big Steps	28	113	(178)	37	-
Monmouthshire Parent Network	2	-	-	-	2
Moray Care Farming	69	87	(79)	-	77
Roots of Empathy (England & Wales)	53	28	(40)	-	41
Scottish Border	24	52	(43)	-	33
Silverton Short Breaks (Awards For All)	2	-	-	-	2
Skills for Living	13	167	(233)	53	-
Uplands Outdoor Play Area	1	-	(1)	-	-
Young Fathers' Network (Clackmannanshire & Perth)	70	161	(158)	-	73
Young Fathers' Network (Devon)	23	-	(1)	-	22
	420	948	(1,097)	92	363
Northern Ireland Housing Executive					
Northern Ireland Regional Supported Lodgings	114	151	(252)	(13)	-
Rossorry Grove Supported Accommodation	-	271	(271)	-	-
Sperrin & Lakeland Floating Support	-	331	(331)	-	-
	114	753	(854)	(13)	-



## 16. Taxation

Action for Children, as a charity, is exempt from taxation of income and gains falling within Section 478 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent they are applied to its charitable objects. No tax charge arises in any of the subsidiary entities included in the group accounts due to their policy of gifting all taxable profits to Action for Children each year.

## 17. Contingent liabilities

Certain grants received in respect of property alterations and improvements and equipment attach conditions whereby amounts could be repayable in the event of the relevant property or equipment being sold or ceasing to be used for the stated purpose. At 31 March 2017 these grants amounted to £551,000 (2016 £551,000). This relates to property and equipment where the conditions of the grant continued to be fulfilled.

Action for Children has agreed a recovery plan with the Action for Children Pension Fund for clearing the pension fund deficit. To support the recovery plan, on 7 March 2011 a security agreement was signed creating a first legal charge to Action for Children Pension Fund of £32m over freehold properties and of £8m over CFB investment units. The charge becomes enforceable in the event of default, including Action for Children becoming insolvent, ceasing business or failing to pay contributions in line with the schedule of contributions or the Pensions Regulator direction.

## 18. Related parties

All transactions with subsidiaries, associated charities and Trustees are disclosed in the financial statements. Further details can be found in notes 3, 4 and 9.

# Nine years old. Nine different foster homes.



**Why the tenth  
was different.**

Moving home nine times in nine years is tough for any child. That's why we promised Jade her tenth home would be her forever home. Four years on, we're still keeping that promise.  
[actionforchildren.org.uk/fostering](http://actionforchildren.org.uk/fostering)

**HOW  
ACTION FOR  
CHILDREN  
WORKS**

# Legal and administrative details

## Our legal status

Action for Children is a charitable company limited by guarantee and registered with the Charity Commission under registration number 1097940 and with the Office for the Scottish Charity Regulator under number SC038092. Our company number is 4764232.

### Bankers

HSBC Bank plc  
The Peak  
333 Vauxhall Bridge Road  
London  
SW1V 1EJ

### External Auditors

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
London  
NW1 2EP

### Internal Auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### Investment Managers

Central Finance Board of the Methodist Church  
9 Bonhill Street  
London  
EC2A 4PE

### Registered Office

Action for Children  
3 The Boulevard  
Ascot Road  
Watford  
WD18 8AG

### Principal Solicitors

**Capsticks**  
1 St George's Road  
London  
SW19 4DR

**Blake Morgan**  
6 New St Square  
London  
EC4A 3AT

**Douglas Jones Mercer**  
16 Axis Court Mallard Way  
Swansea Vale  
Swansea  
SA7 0AJ

**Cleaver Fulton Rankin**  
50 Bedford Street  
Belfast  
County Antrim  
BT2 7FW

**Edwards and Co.**  
28 Hill Street  
Belfast  
BT1 2LA

**Morton Fraser**  
145 St Vincent Street  
Glasgow  
G2 5JF

**Burness Paull**  
120 Bothwell Street  
Glasgow  
G2 7JL

## Officers and advisors

### Board

#### Trustees

**Chair**  
John O'Brien

**Vice Chair**  
Heather Schroeder  
(to 27 January 2017)

The Reverend Doctor Sheryl Anderson  
(from 14 July 2016)  
Joe Barrell  
(to 31 December 2016)  
Les Clifford  
Richard Cryer  
Helen Gallagher  
(to 20 November 2016)  
Patricia Gordon  
(from 1 July 2017)  
Stanley Goudie CBE  
Tracy Griffin

Catherine Guthrie  
The Reverend John Howard  
(to 15 July 2016)  
Jo Larbie  
(from 25 May 2017)  
Debbie Morgan  
(from 14 July 2016)  
Dr Daleep Mukarji OBE  
(Methodist Church appointee)  
Markus Ruetimann  
Paul Snell CBE  
Yvette Stanley  
Fiona Thorne  
(from 30 March 2017)

### Executive Leadership Team

**Chief Executive**  
Sir Tony Hawkhead

**Managing Director Operations**  
Carol Iddon (from 12 September 2016)

**Acting Managing Director Operations**  
Carol Iddon (to 12 September 2016)

**Managing Director Commercial Shared Services**  
Charles Scott

**Managing Director of Fundraising, Communications and Policy**  
Nicholas Jones (from 20 February 2017)

**Acting Managing Director of Fundraising, Communications and Policy**  
Kath Mills  
(from 3 October 2016 to 31 March 2017)

**Managing Director People and Organisation**  
Graham Charsley  
(to 7 October 2016)

## Principal Committees of Action for Children

**Finance Committee**  
Les Clifford (Chair)  
Richard Cryer  
Stephen Musgrave  
John O'Brien  
Christopher Sexton

**Audit Committee**  
Paul Snell  
(Chair to 15 March 2017)  
Markus Ruetimann  
(Chair from 25 March 2017)  
Stanley Goudie CBE  
Alan Pateman-Jones

**Fundraising, Communications and Campaigns Committee**  
Joe Barrell  
(Chair to 31 December 2016)  
Tracy Griffin  
(Chair from 6 March 2017)  
Flora Martin  
Kerry Moscogiuri  
John O'Brien  
Fiona Thorne

**Operations Committee**  
Heather Schroeder  
(Chair to 27 January 2017)  
Yvette Stanley  
(Chair from 28 January 2017)  
Stanley Goudie CBE  
Robert Green CBE (to 5 September 2016)  
The Reverend John Howard  
(to 15 July 2016)  
Debbie Morgan  
(from 14 July 2016)  
John O'Brien

**Northern Ireland Committee**  
Stanley Goudie CBE  
(Chair)  
Alex Burke (Young Persons co-opted member) (from 23 February 2017)  
Brian Dornan  
Patricia Gordon  
The Reverend Samuel McGuffin  
John O'Brien  
Grainne Stockton  
(Young Persons co-opted member) (from 23 February 2017)

**Scotland Committee**  
Catherine Guthrie  
(Chair)  
Shona Cotterill  
Peter Mills  
John O'Brien  
Paul Renz  
Lesleyann Russell  
Mary Smith

**Wales Committee**  
Debbie Morgan  
(Chair from 14 July 2016)  
Paul Bulpin  
Freda Lewis  
John O'Brien  
Mary Williams  
Iona Wyn

**People Committee**  
Daleep Mukarji (Chair)  
Sharon Cunningham  
Helen Gallagher  
(to 20 November 2016)  
Jo Larbie  
Heather Schroeder  
(to 27 January 2017)

# Thanks to you

**We're immensely grateful to everyone who has supported the charity over the past year. Every pound given really does help us to reach out and help children who need us most.**

While we can't thank every single supporter, we'd like to say a huge thank you to everyone including the following:

## Our Patron

HRH The Duchess of Cambridge

## Our Ambassadors

Jenny Agutter OBE  
Baroness Armstrong of Hill Top  
Bill Bottrill  
Michael Buerk  
Gordon Bullock  
Lavinia Carey OBE  
Ken Deeks MBE  
Richard Farleigh  
Shirley Anne Field  
Jessica Hynes  
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Emily Maitlis  
Lord McConnell of Glenscorrodale  
Sir Trevor McDonald OBE  
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Alastair Stewart OBE  
Sister Eluned Williams MBE

Sian Lloyd  
Kevin Whately  
Baroness Richards

## Our Supporters

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Mariana Betzois  
Sir Michael Bibby  
Big Lottery Fund  
Helen Boaden  
The Book People Ltd  
Simon Bono  
Kim Buckland MBE  
Byte Night 2016 Boards (National Chairs: James Bennet MBE, Ken Deeks MBE, Regional Chairs:

Alastair Brown, Huw Brown, Chris Colesell, Murray Dickson  
Dr Alistair Forbes, Mike Gibbons, Paul Hanna, Sally Hanson, Rhona Hutchon, Charles Le Strange Meakin, Andrew Moore, Jenny Mairs, Damian Pettit, David Sadler, Mike Rebeiro, Alistair Russell, Mark Williams and all the 2016 Byte Night Vice Chairs, Board Members and sleepers)  
Carvill Trust  
Caterpillar Foundation  
Cawston Press  
CEO Sleepout 2017 Committee (Chair: Tim Griffin Members: Mike Tobin OBE, Manny Pinon, Nia Williams, and all the 2017 CEO Sleepout sleepers)  
Chapman Charitable Trust  
Children's Aid Scotland  
Circle Trust  
The Clickety Chicks Committee  
Marisa Clifford  
Dell EMC  
Deloitte LLP  
The Derby Support Group

DHL Corporation  
DM Thomas Foundation for Young People  
Donald Forrester Trust  
Brigitte Dowsett  
The Dundee Appeal Committee  
The Entertainment Quiz Committee 2016/17 (Members: Liz Bales, Lavinia Carey OBE, Marisa Clifford, Eddie Cunningham, Charlie McAuley, Christos Michaels, Adam Rubins, Matt Smith, John Trafford-Owen)  
The Epsom Book Fair Committee  
FedEx  
Susan Flynn  
Fidelity UK Foundation  
Lynn Fordham  
Foster Wood Foundation  
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Anton Jurgens Charitable Trust  
The Lakes Appeal Committee, Windermere  
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PG Paper  
Pines and Needles  
Dr Christine and Mr Alan Piper  
Porcelanosa  
Puffin Books  
Michelle Quest  
The Rangoonwala Foundation  
Recycling Solutions Ltd, Middleton  
Anne Richards  
Roberton Trust  
Rocket Licensing  
Sainsbury's  
Salem Methodist Church, Nelson, Caerphilly  
Standard Real Estates Ltd  
Saunderson House  
Paul Smith  
The Sports Dinner Committee  
The Spring Ladies Lunch 2016/17 Committee (Members: Elizabeth Hammond, Samina Hand, Vanessa Hoddle, Lynda Myles Till MBE, Alison Rowntree-Taylor,

Annya Sand, Elena Shchukina, Ciara Stewart, Joanne Tye)  
The Stavros Niarchos Foundation  
STV Children's Appeal  
Steve, Kaz & Harry Pointon, Martin Torbett & All of Tikka's Travels  
Turner & Townsend  
Ultimate News Quiz 2017 Committee (Chairs: Baroness Anne Jenkin, Martha Kearney and Chris Shaw, and all the 2017 Committee Members)  
Madhavi Vadhera  
Valero Energy Ltd  
Wider Plan  
The Woman of Influence Board  
The World of Eric Carle  
The Wrigley Company Limited  
The Yes Chef Committee

**Thank you to everyone who has participated in or organised the many challenges, events and activities around the UK raising valuable funds by generally having fun. We were founded by Thomas Bowman Stephenson over 147 years ago and continue to extend our thanks and appreciation for the commitment and support we receive from our many supporters in the Methodist Church throughout the UK.**



# Find out more and get involved

## Visit our website

To find out more about the work we do across the UK, and how you can support us visit [actionforchildren.org.uk](http://actionforchildren.org.uk)

## Ask us questions or tell us what you think

If you have a question or a comment about our work, get in touch. Call our supporter team on **0300 123 2112**

Or you can find us on:

**Twitter**  
[actnforchildren](https://twitter.com/actnforchildren)

**Facebook**  
[actionforchildren](https://www.facebook.com/actionforchildren)

**YouTube**  
[actionforchildrenUK](https://www.youtube.com/actionforchildrenUK)

## How you can help

There are many different ways individuals can get involved with fundraising or volunteering. We're also always on the lookout for corporate partners and companies to sponsor events. Just visit our website to find out more.

[actionforchildren.org.uk/  
get-involved](http://actionforchildren.org.uk/get-involved)

Legacies go a long way to ensuring we can maintain the level of services we offer across the UK. If you can find room in your will for Action for Children, your legacy will live on in the life of a disadvantaged child for years to come.

[actionforchildren.org.uk/legacy](http://actionforchildren.org.uk/legacy)

## Make a donation

Regular donations help us reach out to more children who urgently need our support. You really can help children achieve their potential.

[actionforchildren.org.uk/donate](http://actionforchildren.org.uk/donate)

**Post**  
Action for Children  
3 The Boulevard  
Ascot Road  
Watford  
WD18 8AG

**Phone**  
0300 123 2112

# By being where we're needed

In 2016/17 our 7,000 staff and volunteers helped over 370,000 children, young people and families. Our digital support services are available to young people and families in all areas of the UK.

We delivered  
**637 services**  
in 2016/17:

**424**

IN ENGLAND

**92**

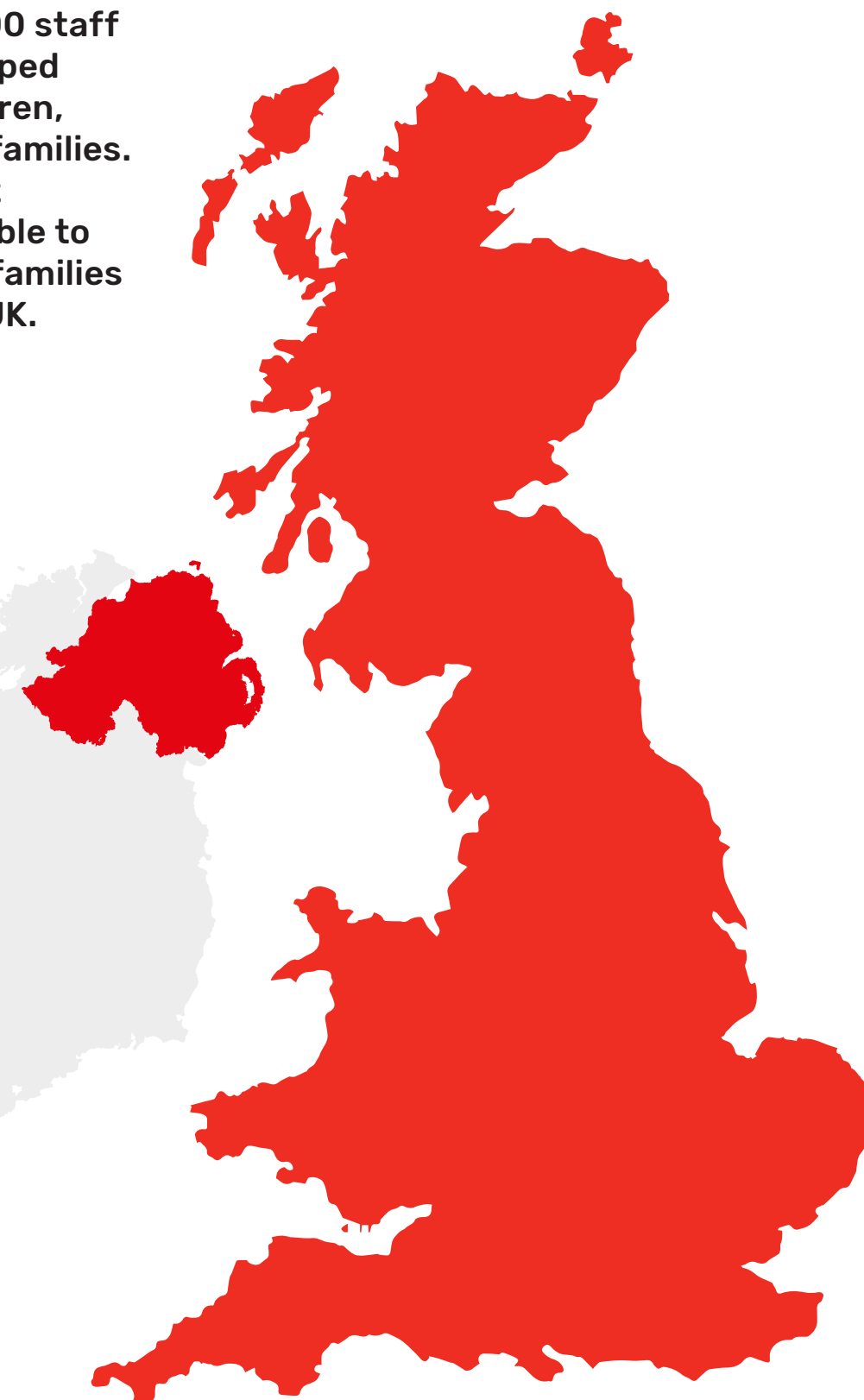
IN WALES

**91**

IN SCOTLAND

**30**

IN NORTHERN IRELAND



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