

financial review

During the year to 31 March 2007, the total funds position of WRVS Group increased by £9.8m from £47.9m to £57.7m.

How we increased our funds

In 2006-7 we spent £1.9m more than we generated on our charitable activities, but more than offset this with £11.6m of net surpluses from other sources:

- £4.3m net funds generated from grants, fundraising and investments
- £1.6m from the revaluation of properties in WRVS Office Premises Ltd
- £1.0m from profits on sale of properties
- £0.6m realised and unrealised gains on our investments
- £0.2m funds introduced
- £(0.3)m governance costs
- £4.2m from the sale of our investment property at Milton Hill.

Understanding our costs

Total resources expended in the year were £82.5m. We spent:

- £38.6m on purchasing our stock and meals for our shops, cafés and Meals on Wheels meals. We also secured £1m of rebate income to help offset this
- £15.6m on employee costs for our projects – without the tremendous support of our volunteers this would be substantially higher
- £8.8m on keeping our vehicles, volunteers and employees on the road and ensuring they had the premises they needed to deliver the best possible service
- £6.6m on our central support costs, including the fundraising team
- £7.4m of other costs including £1m of irrecoverable VAT and £0.7m pensions adjustment.

We also gifted £5.6m back to hospitals to improve facilities and patient care.



Our charitable activities

Incoming resources from our charitable activities increased by 1.8 per cent overall, reaching £78.2m (2005-6: £76.8m). Expenditure including governance costs increased by 2.4 per cent to £80.3m (2005-6: £78.4m).

Hospital services

During 2006-7, our hospital projects generated £56.2m of income and contributed £2.3m (2005-6: £2.3m) towards our other charitable activities. In addition we gifted £5.6m (2005-6: £5.1m) to some of the hospitals in which we operate.

Furthermore, trustees have designated £13.1m for future gifting or refurbishment of shops and cafés in hospitals where we operate under this type of gifting arrangement.

Amounts gifted are included in the cost of charitable activities, but excluding these shows an underlying growth in hospital services expenditure of 7.1 per cent, just ahead of the growth in income of 6.9 per cent.

Food services

Income from our food services reduced by 13 per cent in the year to £15.5m (2005-6: £17.9m). The previous year had seen the benefit of one-off VAT reclaims, however the underlying trend remains one of increasing pressure to retain existing contracts and win new ones in what is an increasingly competitive environment. Pressures on local authority budgets, together with our decision to tender only for contracts that meet our standards of offering choice and access to hot meals, mean that there are pressures on our income from food services.

We continue to monitor expenditure on servicing our food contracts and we take action as appropriate. Our expenditure reduced by nine per cent to £16.7m (2005-6: £18.4m), which adjusting for VAT reclaims in our income, was broadly in line with the fall in our income during the year.

Community services

Our income from community services was £3.4m (2005-6: £3.5m), our expenditure £5.9m (2005-6: £5.8m), net expenditure of £2.5m (2005-6: £2.3m).

Broadly one third of our community services income comes from our community centres, whether through grants or income generated within the projects. Our lunch and day clubs account for a further third, with the rest from transport schemes, community help and Good Neighbours, home library and other services.

The money we invest in our community services includes £1.2m of support costs we don't seek to recover from either service users or other sources, and £1.3m to run and develop our services in communities.

Emergency services

We sought to grow our income in emergency services by winning contracts from utility companies and other corporate bodies. Our income in the year grew by eight per cent to £0.34m, whilst our expenditure reduced by nine per cent to £1.0m.

Services welfare

Services welfare income increased by four per cent to £2.4m, and the resources expended were also £2.4m before allocated support costs.

Support costs

Our central support costs for the year were £6.8m (2005-6: £7.4m), which included £0.7m relating to outstanding liabilities in relation to the services welfare defined benefit scheme and £1.0m which underpinned our fundraising activities. The remaining £5.1m (75 per cent) reflects the costs of supporting our charitable activities (2005-6: £5.1m). Central overheads for delivering our mission were £1.9m and central overheads for supporting the mission including our retail operations £4.9m.

Sale of Milton Hill House

In last year's report and accounts, we stated our intention to market our investment property, Milton Hill House, which had been held for several years.

Our considered view was that this investment represented an unacceptable concentration of assets in one specialised asset class: the commercial property market in general, and the training and conference market in particular.

In December 2006, we sold the property together with 21.45 acres of the adjoining land to our tenants, Verve Venues Ltd. Net proceeds from the sale were £14.2m after disposal costs, substantially in excess of the £10m market valuation as at March 2006. We have retained 32.55 acres of the site as a long-term investment.

Funds generated in the year

Net funds of £4.3m were generated as follows:

- £2.3m from our government grant
- £2.0m from investment income
- £0.2m from other grants
- a net £(0.4)m investment in our fundraising strategy (see fundraising strategy section).

Grants

Our government grant reduced in the year by a further £0.6m to £2.3m, in line with expectations. For 2007-8 this will further reduce to £1m, with no guarantees of funding thereafter. In order to bridge this drop in grant in future years, we are continuing both to invest in and develop our fundraising strategy and look closely at our costs.

Investment income

We generated investment income of £2.0m (2005-6: £1.9m) in the year to March 2007. £0.6m came from Milton Hill rental income and £1.4m was made from our bank deposits and unit trusts.

Fundraising strategy

We have made significant progress on our national fundraising strategy during 2006-7. Our net investment of £0.4m in the year comprised £1.1m of gross income (2005-6: £0.85m) before direct costs of fundraising of £0.5m, fundraising team costs of £0.4m and other allocated central support costs of £0.6m.

All of the figures quoted in the next four paragraphs are gross income figures for fundraising initiatives, and are included in the gross income total above.

Individual donations, corporate fundraising and events

Income from individual donations, corporate fundraising and events reached £0.7m.

We increased the number of individual donors from 4,500 to 8,000 in the year, and the number of donations received, from 14,000 to 17,000. Activities undertaken included:

- the introduction of a second raffle in the summer raised a combined total of £174,000 from both, compared to £86,000 from the single raffle in 2005-6
- a new supporters' newsletter was well received and generated an extra £20,000 in donations
- direct mail appeals to warm donors received a good response rate (average of eight per cent), while appeals to cold donors recruited an additional 1,100 supporters with an average gift of £15
- we tested inserts in targeted magazines although results were disappointing
- we tested face-to-face street fundraising and door-to-door fundraising, recruiting 625 and 525 new donors respectively.

Corporate fundraising reached £119,000. Events raised £88,000 in the year. Our inaugural corporate golf day raised £10,500; our seventh Christmas carol concert £61,500; with £12,000 from the Flora London Marathon and £5,800 from a volunteer climb of Mount Kilimanjaro.

Legacies

Legacy income increased from £64,000 in 2005-6 to £179,000 in 2006-7 as more people choose to support WRVS in this way. We have developed a new legacy promotional strategy to ensure that people have the widest possible opportunity to support WRVS.

Trusts and lotteries

Successful bids brought in £181,000 in the year, with £0.9m committed to us for future years, as we develop good relationships with a number of national trusts.

Also during the year we secured £0.75m from the Heritage Lottery Fund for heritage activities in East Sussex. This income will be recognised over the next three years as we spend the grant.

Revaluation of properties

In March 2007 all of the properties in WRVS Office Premises Ltd were re-valued by qualified surveyors to provide us with the latest market valuation. This was last undertaken in July 2004.

This has resulted in an increase in value of £1.6m against that reported at March 2006, for properties still owned at March 2007.

£1.3m of the gain arose from four properties: our operations centre in Cardiff; our site at Cumberland Street in Ipswich, Suffolk; and properties in Hertford, Hertfordshire and Maldon, Essex. £0.3m was from the revaluation of four other properties.

Profits on property sales

Where freehold or long leasehold properties are no longer required for use by the charity, or where opportunities exist to realise significant sums for our charitable activities in general, we have sought to dispose of properties for the best possible price.

In July 2004, the Home Office transferred a portfolio of properties to WRVS Office Premises Ltd with a proviso that should we dispose of any of those properties within a certain period of time, then any excess achieved over and above their individual 2004 valuations might be repayable in part to the Home Office.

At March 2006, we had provided £0.5m from the profits on disposals to that point in time.

In October 2006, the Home Office confirmed that they would not seek to claw back any of the sale proceeds. This resulted in a release of provision of £0.7m. A further £0.2m surplus arose from property disposals in the year under review.

Our funds position

Our total funds at the end of 2006-7 stands at £57.6m. £3.0m is restricted for specific purposes, such as legacies and properties with certain restrictions on how they may be used. £54.6m is unrestricted and free for wider use by the charity. £7.6m of this is invested in our properties, equipment, fixtures and fittings. Trustees have also designated amounts for particular purposes: £13.1m for future gifting to hospitals and communities; £2.2m for investment in five community pilot sites over the next three years and £0.8m for investment in the development of our brand and marketing strategy. There is also funding from donors for the enhancement of community centres of £0.2m. The remaining £30.7m represents the general funds available to WRVS for running the organisation and future strategic investment.

Our funds position (continued)

Results for the year ended 31 March 2007 are shown in the Statement of Financial Activities on page 50. Our assets and liabilities as at 31 March 2007 are shown in the Balance Sheet on page 51. These statements should be read together with the notes to the accounts, which appear on page 53 to 69 and have been prepared in accordance with relevant law and SORP 2005.

Our future outlook and reserves policy

Although our general funds at £30.7m are the highest ever, trustees recognise we have challenging times ahead. This has been a record year, but the reasons for this are exceptional. Unless we can replace sources of funds at the same rate or faster than they deplete, we face future deficits which will need to be met from general funds. This is of particular concern as we go into a period where we will no longer benefit from the government grant and need to develop alternative sources of funds.

To determine a suitable reserves policy for the organisation, trustees have considered a preliminary five-year view for WRVS, based on a number of assumptions about our sources of funds, our levels of investment, the marketplaces in which we operate and our future development requirements.

As our fundraising strategy and development plans are still in their infancy and the hospital and food services markets both have their own challenges, there are many unknowns. However we have made the best estimates of the position given the information we have.

At this stage, in the light of the forecast and these uncertainties, trustees have determined that £15m is an appropriate minimum level of general reserve. Trustees also determined that this minimum level of reserves would be sufficient to meet all of our liabilities were the organisation to cease its activities.

The minimum level of general reserve will be reviewed in light of experience and plans developed to decide how any excess over the minimum level should be spent in order to meet the aims of the charity.

Our approach to investments

At March 2007, our investment portfolio and cash balances comprised £18.9m managed by our investment managers; £27.9m invested with our main bankers; cash in hand of £6.8m, before £(0.3)m overdrafts; and £0.1m invested in land. With the sale of Milton Hill House, our cash balances have been high but we have maximised the return through investing on, for example, the overnight money markets.

The finance and investment committee, a sub-committee of trustees, has reviewed the medium- to long-term cash requirements of WRVS together with our reserves policy so as to better inform our investment policy for the future. Following on from this, the sub-committee is now considering the most appropriate mix of asset classes and maturity structure for the long-term investment of WRVS' reserves.

During the year we retained the services of our two independent investment managers to manage our portfolio, Sarasin Chiswell and BlackRock (formerly Merrill Lynch). During the year our investments with them showed gains (realised and unrealised) of £0.5m (2005-6: £2.1m).

Both managers have the discretion to invest our portfolio within agreed risk profiles, and their performance is judged against appropriate benchmarks. Trustees recognise that investments should be viewed over the long-term and so believe these benchmarks to be better indicators of performance than year-on-year comparisons.

Regular meetings are held with both investment managers to review performance and to advise trustees on each manager's current view of the marketplace. On a rolling annual basis, our investments performed better than benchmark in all cases.

Sarasin Chiswell manages 33.9 per cent of the portfolio and has a benchmark that is a weighted average of UK government bonds, MSCI World Net Total return and one month LIBOR. (Actual performance 6.0 per cent: benchmark 3.5 per cent.)

BlackRock manages three separate portfolios on our behalf:

- 12.7 per cent of the portfolio covering restricted legacies and managed for capital growth (8.9 per cent capital growth achieved).
- 22.4 per cent of the portfolio to produce a return in line with LIBOR less ten per cent, while seeking to achieve long-term capital growth benchmarked against a weighted average of FTSE All-Share; FTSE Government All Stocks and seven day LIBID. (Actual 6.4 per cent: benchmark 5.2 per cent.)
- 30.6 per cent of the overall portfolio, to maximise long-term total return benchmarked against the WM unconstrained (excluding property) fund. (Actual 8.9 per cent: benchmark 7.7 per cent.)

CCLA Investment Management Ltd manages 0.4 per cent of the portfolio – these funds are specific restricted legacies managed for capital growth.

WRVS group and subsidiary undertakings

WRVS' constitution is a company limited by guarantee, and as such in the event of the company being wound up, each company member is required to contribute an amount not exceeding £1. The company is registered in England and Wales, number 2520413 in accordance with the Companies Act 1985. It is also a registered charity in England and Wales, number 1015988 and has applied for a Scottish charity number.

The charity's principal subsidiary undertakings at March 2007 are set out in note ten of the accounts. Subsidiaries were all wholly owned companies registered in England and Wales. Income from trading subsidiaries has been included within charitable income within the accounts.

We are in the process of winding-up four subsidiaries:

- WRVS Retail and Catering Services Ltd
- WRVS Asset Supply Ltd
- Home Choice Meals Ltd
- WRVS Supplies Ltd.

These subsidiaries are surplus to requirements and will all be voluntarily wound-up by the members by March 2008.

Trustee responsibilities

WRVS is governed by a Memorandum and Articles of Association that were last updated on 26 June 2007. This sets out that the Board of Trustees may consist of a maximum of 12 trustees: one third must be WRVS volunteers nominated by the vice-chairmans' committee, and at least one third shall be individuals nominated by the trustees from outside WRVS. Each trustee may be elected for a maximum of two three-year terms of office. The trustees are directors of the charity for the purposes of the Companies Act 1985 and trustees of the charity for the purposes of the Charities Act 1993.

The trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Charity and 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). The financial

Trustee responsibilities (continued)

statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the trustees are required to:

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

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on www.wrvs.org.uk

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustees are responsible for WRVS' policy and strategic direction and are advised by the

chief executive, to whom responsibility for the day-to-day operation of the charity has been delegated.

WRVS is committed to best practice in corporate governance and has reviewed governance processes. The Board of Trustees exists to safeguard and promote the values and mission of WRVS, determine strategy and structure and ensure that it operates effectively and responsibly. It meets four times a year.

In addition to the Board of Trustees, six sub-committees exist to consider certain aspects of the charity in more detail. Each sub-committee is chaired by a trustee, has a schedule of delegated powers and reports to the Board of Trustees.

Fundraising and marketing committee meets four times a year to overview strategies and plans for fundraising and marketing.

Nominations committee meets once a year to review the structure, size and composition (including the skills, knowledge and experience) required of the Board of Trustees and reports on succession planning for trustees and executive directors.

Remuneration committee meets once a year to review the performance and remuneration of executive directors.

Audit committee meets three times a year to consider reports from both external and internal auditors regarding the internal control systems and the annual financial statements; discuss financial reporting issues and risk management processes.

Finance and investment committee meets at least three times a year to consider and make recommendations on all financial budgets, forecasts and policies, including investment strategy; to monitor the organisation's

performance to budgets and forecasts; to consider and monitor all capital and community development projects; to oversee the performance of the investment portfolio and the application of restricted legacy funds.

Volunteering committee meets four times a year to review recruitment, retention, recognition and communication strategies for our volunteers; and to consider ways to improve the volunteer experience and identify ways in which volunteers could further contribute to WRVS.

The Board of Trustees appoints all new trustees, and looks to ensure that skills and experience on the board continues to be relevant. A trustee induction programme is in place and each new trustee is offered the opportunity to visit projects and meet with senior management within WRVS at an early stage of their trusteeship.

Internal controls and risk management

The trustees have overall responsibility for the system of internal control for the charity and its subsidiaries. However, such a system can provide only reasonable and not absolute assurance against errors and fraud.

WRVS undertakes an annual planning and budgeting process, which is approved by the Board of Trustees after review by the finance and investment committee. Actual performance against budget is monitored on a monthly basis by the executive team and trustees are regularly informed of progress. Strategic projects are monitored through the appropriate sub-committee and the Board of Trustees.

During the year, we have undertaken an exercise to capture and evaluate the risks the organisation faces within a risk register. This has been a bottom-up exercise, involving senior managers and the risks recorded are

comprehensive and will require continual review. This exercise not only serves to highlight the areas where we must improve or test the controls we rely on to reduce or eliminate these risks, but also marks the start of embedding a risk management culture throughout the organisation.

During 2007 the executive team and trustees have considered the risks captured and the process to distil those believed most significant to the future success of the organisation is in progress.

Significant risks will be highlighted for consideration and monitoring through summary reports for the audit committee and the Board of Trustees and a comprehensive review of the controls in place to mitigate or eliminate those risks will now be undertaken.

Our auditor

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

A resolution to reappoint Baker Tilly UK Audit LLP as auditor for the ensuing year will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.



On behalf of the Board of Trustees

Ruth Markland
Chairman of the Board of Trustees