

# Annual Report and Financial Statements

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For the year ended 31 March 2017

**The  
Children's  
Society**



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# Welcome from our Chair

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When Edward Rudolf founded The Children's Society in 1881, he saw children living with extreme poverty and neglect and demanded a better system of care for them. It is unlikely he imagined that 136 years later our work would be as relevant today as it was then.

Today, in England alone, over three million children are living in poverty and over sixteen thousand are estimated to be at risk of sexual exploitation. One hundred thousand young people run away from home or from care every single year, and one child in ten has a mental health problem. In many cases young people face a distressing combination of these challenges. At The Children's Society, we cannot accept this

situation as normal – and we exist because it should not be.

The last year has presented many complex challenges in the charity sector, including greater regulatory control over fundraising, and budget reductions in local government commissioned services to address young people's critical needs. The consequences of Brexit will bring yet more uncertainty, which may result in further reductions in voluntary giving and Government spend.

The Independent Inquiry into Child Sexual Abuse has played a crucial role in exposing where children have been failed in the past and we appeared at the Inquiry to talk about our role in historical child migration.

We have made a profound apology to anyone who was abused while in the care of The Children's Society in the UK, and any child whose life was blighted by being migrated to other parts of the world.

It is important that we face up to these past mistakes, learn from the failings, and ensure that children today are protected from abuse, both now and in the future, by being true to our values of putting children and young people first.

The Children's Society's trustees, management and staff have forged a brave and ambitious new strategy focused on making the biggest difference to young people's lives: by breaking the cycle of multiple disadvantage and tackling the adverse conditions which prevent children from flourishing.

Our strategic objectives are:

- To focus our work on supporting young people experiencing multiple disadvantage in their lives.
- To transform our ability to innovate and to disrupt the conditions that perpetuate multiple disadvantage.
- To achieve greater reach and impact for young people facing multiple challenges through collaboration and partnership.
- To maximise our impact on young people through a fully supportive, high performing and agile organization.



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Our approach in tackling these challenges during 2016/17 included implementing our new Fundraising and Supporter Engagement Plan, which places our supporters at the very heart of our movement for change for young people. The plan builds on the much-valued loyalty of our supporters and finds new engagement through integrating our strengths in church relationships, supporters and volunteers.

We have also become more efficient through a right-sizing exercise, initiated a 'Lean' programme of work and made a commitment to digital capability and maturity.

Through these and other efficiencies, we are laying the foundations for financial sustainability in response to the challenging environment, whilst maintaining our capacity to increase the scale and impact of our work.

We are building on our strengths and reaffirming our commitment to ensuring children's voices are heard to make the most difference to young people's lives.

This year also saw us begin more innovative work to tackle crucial issues affecting young people, two examples of which are:

- The launch of our hard-hitting Seen and Heard training module, commissioned by the Department of Health to reach up to 750,000 of their healthcare professionals. Informed by the experiences of the young people we work with, this training will enable healthcare professionals to spot the signs of child sexual abuse and exploitation and to feel confident in intervening and supporting a young person at risk.
- As part of Forward Thinking Birmingham we launched Pause, our new innovative mental health service in Birmingham city centre. Young people can turn up and talk to someone about how they are feeling: no appointment is necessary. It is open seven days a week and is available to any young person that needs help and support with their mental health. Since opening we have provided one-to-one support to over 1,000 young people to address their issues.

Our reach and impact on young people in these and other areas of multiple disadvantage is reported in our Impact Report for 2016/17 and I would encourage you to obtain a copy via our website.

The efforts of our trustees, staff, volunteers and supporters are individually and collectively focused on making a positive impact and improving the lives of disadvantaged children and young people. They have shown extraordinary commitment during the year, for which I would like to thank them all.

I would especially like to acknowledge Luke Sharp, our young Trustee who sadly passed away this year. Luke's strong voice and personal insight had a tremendous impact on the work of the board and the whole organisation. The changes he contributed to will be his legacy and we are determined to continue with the good work he started, his life inspiring us all to do more to help vulnerable young people.

But finally, I would like to thank the children and young people with whom and for whom it is our privilege to work. Their resilience and courage continue to inspire us. They keep us true to our core purpose in supporting them to flourish and thrive, and to overcome the challenges they face.



**Janet Legrand**  
Chair of Board of Trustees

# Our vision, mission and values

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## Our vision

**A country where children are free from disadvantage**

## Our mission

**We fight for change, supporting disadvantaged children to have better lives**

## Our values

**We are brave, ambitious, trusted and supportive**

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### Brave:

We are brave, fighting injustice at every level, fearless in our determination to be listened to. We expose and directly address 'hard truths' and are determined to turn words swiftly into actions.

### Supportive:

We support children in their personal development and to build positive relationships. Together we enable children to reach their full potential and realise their ambitions.

### Ambitious:

We are ambitious for the lives of the children we work with. The pioneering work we do helps them and children across the country aspire to better lives.

### Trusted:

We have been trusted for over a century to deliver care where it is most needed. We maintain that trust by being dependable and consistent in our approach and by fighting for change based on hard evidence.

The children and young people with whom we work are full of potential. We will do our utmost to be brave, ambitious and supportive for them, and to be trusted by them, in order to help them flourish and to ensure that their voices are heard.

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# Strategic report

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## Our strategic focus

This year has been particularly challenging. We have seen profound economic, political and social change, momentous revelations around child abuse, a worldwide refugee crisis, and significant rises in child poverty, all of which have directly and detrimentally affected the most vulnerable children.

These changes have also had an impact on the resources available to meet the needs of young people, with an overall reduction of budgets for commissioned services and greater regulatory control over raising voluntary donations. But as we have navigated this challenging landscape, we have remained focused on meeting the needs of some of the most vulnerable young people.

This report describes our work in the past year to improve outcomes for children aged 10 to 18 who suffer disadvantage and neglect. Together with our supporters, we have achieved some vital breakthroughs: from campaigns to help young people leaving care to avoid debt, to delivering new services around mental health, or supporting children who have experienced sexual exploitation.

Our Seriously Awkward campaign has continued to raise awareness of the needs of 16 and 17 year olds who so often fall between the gaps of support because they are neither seen as a child nor an adult by many services.

It is only by working together with our supporters, campaigners, volunteers, partners and funders that we have been able to achieve change for children and young people, making a real and positive difference through our work.

## Achievements and performance

In last year's Annual Report and Financial Statements, we set out five key objectives for the 2016/17 financial year:

1. Work with more than 10,000 young people within our Youth at Risk services.

During 2016/17 we worked with over 13,000 young people across our Youth at Risk Services. Within this total, we worked with more than 9,000 young people in our direct services, and a further 4,000 young people were engaged through our outreach and awareness-raising activities in youth clubs, schools and colleges.

**Our frontline dedicated children and young peoples' services are focused on the following specific areas of risk and crisis:**

### Child sexual exploitation and abuse

Thousands of children and young people are being sexually exploited in every type of community across the country. They are being forced to do, see and hear things they never should.

Through our services we support children and young people intensively to cope with the trauma of child sexual exploitation. We help children and young people who have experienced, or are at risk of, sexual exploitation.

We were commissioned by the Department of Health to co-produce an e-learning package for staff working in healthcare settings. Seen and Heard aims to train up to 750,000 healthcare professionals to spot the signs of child sexual abuse and to feel confident to step in and support a young person who may be at risk.

Young people were involved in developing this package from the beginning, as we wanted to ensure that their views, opinions and experiences were at the heart of the training.

### Being in care or leaving care

Care leavers have often experienced a difficult upbringing and they may have encountered abuse and neglect which can have a huge impact upon their life chances.

Without the family support that most young people get as they become adults, care leavers often struggle on their own and find it difficult to make ends meet.

We support young people in the care system by providing advocacy support, Independent Visitors, Children in Care Councils and participation services. We have also been campaigning for local authorities to exempt those leaving care from paying council tax until their 25th birthday.

### Mental health and emotional well-being

It is a painful fact that many children and young people are experiencing mental health issues, alone and in silence.

Vulnerable children and young people who suffer extreme hardship, abuse and neglect are at high risk of developing long-term mental health issues – especially those who run away from home, are victims of sexual exploitation, or young refugees.

We are working to change how our most vulnerable young people access mental health support through our innovative frontline services, ground-breaking research and campaigning.

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Our mental health service in Birmingham is unique. Open seven days a week, we're there for anyone aged 25 or under that needs help through one-to-one counselling and therapy, group workshops or activities to promote positive mental health.

### **Going missing from care or home**

Young people go missing for a number of reasons, including unhappiness at home or in a residential placement, abuse, neglect or sexual exploitation.

We run dedicated services which offer support in different ways, including:

- One-to-one support, including emotional well-being
- Parent support work, involving the family when appropriate
- Peer mentoring and support
- Building resilience, self-esteem and healthier social and family relationships
- Preventative work in schools on going missing and the risks associated with this (child sexual exploitation, grooming, online safety and positive relationships)
- Providing access to positive activities
- Return Home Interviews

### **Being affected by substance misuse**

Life can be extremely challenging for children and young people living in families where parents are affected by drugs or alcohol misuse. This can lead to delayed or undermined social, physical and educational development, family relationships suffer, living circumstances deteriorate and, at its most extreme, there is a risk of death, injuries and maltreatment.

With a lack of statutory dedicated services and funding to address this issue, we are leading the way in developing programmes to identify and support these children.

Our services include an integrated recovery management system, structured interventions service, community resolutions, drop-in and telephone helpline.

We influence policy and practice, and also undertake training and consultancy work.

### **Refugee, migrant and asylum seeking families**

The refugee crisis is one of the greatest humanitarian emergencies of our times.

Our regional services provide independent and confidential advice and advocacy support to young people, many of whom arrive in the UK unaccompanied. We help children find accommodation, overcome language barriers and, most importantly, rebuild their shattered lives in new

communities, surrounded and supported by friends. Our London programme is a specialist service which provides holistic support for boys and young men aged 11 to 25 who have been trafficked to the UK.

We were also delighted to be chosen as a partner of The Guardian and Observer 2016 Charity Appeal which was aimed specifically at helping child refugees.

### **Young carers**

There are more than 166,000 young carers who miss out on opportunities because they care for family members who are disabled, chronically ill, or for adults who are misusing alcohol or drugs.

Some of these children are losing their childhoods and missing out on vital education, which will have a negative impact on the rest of their lives.

We help young carers by making sure they have breaks from their responsibilities and give them a platform to share their experiences and raise awareness about the issues they face.

We campaign for policy change, support schools, and strive to see that these young people get the support and futures they deserve.

## 2. Contribute one million positive changes to children's lives through our campaigning and policy work.

We significantly exceeded our commitment to positively impact on children's lives through policy change, achieving over three million positive changes against our target of one million. We establish this number by calculating the number of children who would be positively affected by policy changes that we have contributed to.

Our largest single achievement came in November 2016, with the Government agreeing changes in Universal Credit which positively affected around 2.4m children in low income working families. We worked with members of the House of Lords to urge the Government to rethink its damaging approach to tax credit changes. The changes we contributed to will help improve the lives of working families and their children.

Other successes achieved for young people in the year included the Government agreeing to create a National Register of Missing People and abandoning the 'absent' category when encountering young people who have gone missing. Children previously categorised as 'absent' were deemed not to be at risk of harm and no active police action would be taken. We welcome the change made in January 2017 as the first step towards a safer response to children who go missing. We achieved this through our ongoing policy and campaign work such as *Make Runaways Safe* and *Safe and Sound*, which demands better protections for children who go missing.

During 2016/17 we also saw a number of campaign victories at local level, including Birmingham agreeing not to use bailiffs to recover council tax debt from families with children; and Hammersmith and Fulham, Coventry, Walsall, Cheshire West and Chester, Rochdale, Stockport, and Greenwich all introducing a tax exemption for care leavers.

We continued our national campaign around the *Debt Trap*, which highlights the impact of problem debt on children. As part of this campaign thousands of supporters wrote to and tweeted national and local government representatives and companies to make important changes to their debt collection policies.

Our *Seriously Awkward* campaign raises awareness of the needs of 16 and 17 year olds who so often fall between gaps of support because they are neither seen as a child or an adult by many services. We asked the Government to address these inconsistencies and produced a series of reports that exposed the difficulties in supporting 16 and 17 year olds who have been sexually exploited.

Our influence and impact through policy and campaigning is detailed further in our 2016/17 Impact Report.

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3. Put in place a new Fundraising and Supporter Engagement Strategy to increase the lifetime contribution our valued supporters can make to the lives of young people.

The Board of Trustees approved a new Supporter Engagement Strategy in May 2016. Implementation of the strategy began immediately and is ongoing.

The strategy brings supporters into the heart of everything we do to build a dynamic growing movement of people collectively transforming the lives of children through their actions. We will focus on building strong relationships with all of our supporters, valuing their total contribution in terms of time, voice, financial support and shared commitment to change young people's lives.

We have established a strategic change programme to ensure this new approach becomes a reality, focusing on valuing our supporters and developing our systems, processes and staff team. This programme of work will transform our supporters' experience and ultimately result in greater income and impact for the most vulnerable young people in our society.

4. Maintain our current level of net unrestricted income from fundraising activities and increase our net unrestricted income from retail and trading activities.

Net unrestricted income from donations and legacies was £13.4m in 2016/17. This was below our target to maintain the same net income as in 2015/16, when it was £13.7m. Within this, the most significant reduction in income was from legacies, alongside contraction of committed giving and some other cash generating income streams. We spent less on generating donations and legacies as we reviewed our plans and were able to limit the financial impact to a drop of £0.3m.

Retail and trading net income fell by £0.4m from £1.5m to £1.1m. While income from new and existing shops has increased by £0.6m, from £8.5m to £9.1m, shop operating costs have increased by £1.2m, from £7.4m to £8.6m. This is due to one-off cost refunds received in 2015/16, which have obscured an underlying increase in net income from our retail portfolio. We expect this position to stabilise in 2017/18.

5. Achieve £8m worth of new commissioned work in our five priority themed areas to support children and young people.

We secured £13.9m worth of new commissioned work during the year. We achieved commissions across all of our priority areas, with significant new contracts in the areas of substance misuse, mental health and well-being and child sexual exploitation. Over 80% of the total contract value achieved in 2016/17 will be billed in the three years to 2020. This ensures our delivery of vital direct services to vulnerable young people at risk.

# Plans and objectives for 2017/18

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In 2017/18 we will begin a five year strategic cycle which is driven by our brave and ambitious new strategy. This strategy focusses on where we can make the biggest difference to young people's lives, and by 2030, our strategic ambition is to break the cycles of multiple disadvantage that prevent young people from thriving. Our three-year plan from 2017 to 2020 focusses on tackling the adverse factors that prevent the most vulnerable young people from achieving positive outcomes.

## During the next year we aim to:

1

We will support young people experiencing multiple disadvantage.

- Our target outcomes include working with at least 10,000 young people through direct work and youth engagement.
- We will create positive policy changes through our policy and campaigning work that will deliver 400,000 positive impacts for young people facing multiple disadvantage.

2

We will enhance our ability to innovate and be a disruptive force in breaking cycles of disadvantage experienced by young people.

- We will demonstrate a deliberate focus on innovation across the organisation.

3

We will have an explicit focus on partnership and collaboration.

- We will embed our new relational approach with supporters, volunteers and other organisations and sectors, and will unlock the potential to build a wider movement of change for young people. We will build a strong movement of supporters and partners who share our ambition for young people.

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We will continue to build a high-performing, efficient and agile organisation.

- We aim to maintain our current level of net unrestricted income from fundraising activities, retail and trading activities.

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# Governance, structure and management

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## Legal status and objects

The Church of England Children's Society ('The Children's Society') is a company limited by guarantee and a charity registered in England and Wales. Our organisation was established in 1881 and incorporated in 1898. It is governed by its Articles of Association which sets out our principal objective: to care for and support children and young people in need, whether material, physical, mental, emotional, spiritual or otherwise.

## Public Benefit

The Trustees have a duty to report on how our organisation's purpose has been carried out for the public benefit and to follow the guidance from the Charity Commission on the provision of Public Benefit requirement under the Charities Act 2011.

We have demonstrated how we have met our principal objective, as stated above, in our Strategic Report, by reporting our key achievements during 2016/17.

Understanding and measuring our impact on children and young people is of vital importance, and is critical in ensuring we achieve our mission of fighting for change and supporting disadvantaged children and young people to have better lives. The children and young people we work with are full of potential but often face multiple and complex disadvantage that we help them tackle, in order for them to flourish. Our 2016/17

Impact Report delivers detailed evidence on how we bring about positive change for the thousands of young people with whom we work.

Supporting children and young people to overcome poverty, abuse and neglect, to realise their ambitions and to reach their full potential, is not only a benefit to the children and young people (and their families and carers) that we serve, but also delivers significant benefits to society as a whole. Every young person who overcomes their challenges will be more able to make a full contribution to society.

## The Board of Trustees

The Trustee Board has the responsibility for the governance and strategic direction of The Children's Society, ensuring that the charity upholds its ethos and values and delivers its key objectives.

Operational management is delegated by the Trustees to the Senior Leadership Team, which is accountable to the Trustee Board for its stewardship of the charity. The Chief Executive and the Senior Leadership Team attend Board and Committee meetings.

Trustees are appointed through a transparent recruitment and selection process and are elected by the Members at the AGM. 'Be Part of It' children's representatives participate in this selection process, and their assessments are an integral

part of the recruitment process, demonstrating our ongoing commitment to ensuring young people take part in decisions that affect them.

New appointees are provided with a comprehensive induction programme which includes meeting the Senior Leadership Team, engaging with staff and volunteers and visiting our direct work services.

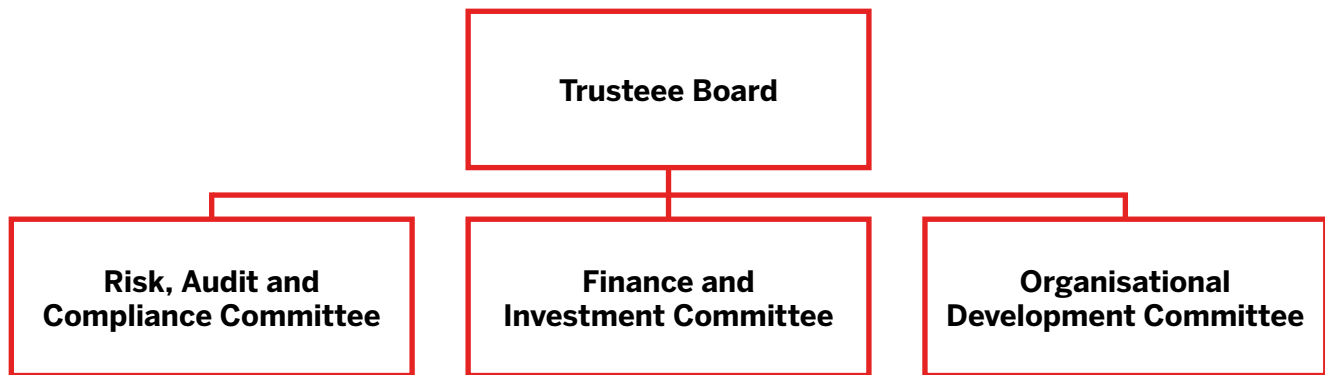
Trustees deploy a wide range of skills, knowledge and experience essential to good governance and the balance of expertise is kept under review. Collectively the Trustee Board must demonstrate responsible leadership and judgement.

Trustees, Committee Members, the Chief Executive and the Senior Leadership Team are expected to behave with the utmost integrity and professionalism, and at all times to demonstrate their commitment to the goals and values of The Children's Society.

The Trustee Board met five times during the year. In addition, three Board away days were held, which enabled Trustees and the Senior Leadership Team to focus on key strategic issues in depth. Trustees who served during the year are listed on page 52, together with information about their membership of Committees.

Delegation

The Board maintains a written schedule of matters reserved for the Trustee Board and Committees which clearly defines specific areas for delegation. Committees report to the Board on a regular basis.



is primarily responsible for ensuring the effectiveness of the internal and external audit functions, the adequacy of risk management processes and the internal control environment. It considers any significant issues arising in respect of either internal or external audit or inspection arrangements. It monitors and reviews the implementation and compliance with safeguarding and health and safety policies. It oversees all systems, controls and processes, ensuring the charity's ability to meet its key objectives.

is primarily responsible for all aspects of the charity's financial strategy and performance, ensuring that its resources are being properly and appropriately applied to its key objectives. It oversees the charity's investments and ensures that these are managed so that they underpin the strategic objectives of the charity. The Committee has responsibility for safeguarding the charity's assets and ensuring sufficient reserves to fund our work.

is primarily responsible for overseeing all matters concerned with the effective governance of The Children's Society, supporting the CEO in building and sustaining an effective leadership team, and guiding and monitoring the effectiveness of key human resources policies for the organisation.

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Individuals who are not Trustees may be co-opted as members of Committees when functional or specialist knowledge or skills are required. We are very grateful to our current members for the expertise and skills that they bring.

Each Committee of the Board meets a minimum of four times each year.

### **'Be Part of It'**

is not a Committee of the Board, but is a representative body created through our participation strategy, which enables young people from our services to participate at Board meetings. Members of 'Be Part of It' do not have legal responsibilities or voting rights, but Trustees pay close attention to their input and advice.

### **Employees**

The Children's Society is committed to being a great place to work. We recognise the direct link between employee satisfaction and excellent service delivery, which feeds through to the positive impact we have on the children, young people and families we support and on whose behalf we campaign.

We work continuously to ensure that access to employment opportunities, training, reward and progression provides equality of opportunity for all employees and recruitment candidates. Each employee is treated on merit,

fairly, and with respect and dignity.

Our current Single Equality Scheme concludes in 2017 and we have appointed a project manager to review this and gender pay gap reporting requirements.

We place great value on ensuring our employees are well-informed and engaged to deliver their best. Regular surveys are carried out and feedback from these surveys is given serious consideration by the Senior Leadership Team, who take appropriate action in response.

Progress on our People Plan during the year focused on further developing HR support functions to enable The Children's Society to progress with its new strategy and provide foundations for workforce planning and workforce development. Included in this are specific plans to extend our apprenticeship offering during 2017/18.

### **Volunteers**

The Children's Society and the young people we serve benefitted from the invaluable support of more than 12,500 volunteers in a variety of roles during 2016/17. This represents a significant increase over the 10,000 volunteers with whom we engaged in the previous year.

Our volunteers support our work in many ways, including campaigning, delivering talks to community, schools and

church groups about our work, fundraising and coordinating our house-box networks. Over 4,000 volunteers gave their time in our network of shops, and without them we could not achieve the substantial income that our retail operation delivers.

Many volunteers support young people in our services, and have a direct positive impact in their lives. Their roles include mentor/befrienders, independent visitors and more recently as well-being volunteers in our mental health drop-in centre in Birmingham, providing immediate help and advice to young people who come to us for support.

We continue to develop new initiatives to give prospective supporters more opportunities to volunteer, and in June 2016 we launched our new Campaigns Champion role. This role involves enabling people to take action in their own communities to increase awareness of the most important issues for children and to help bring about change.

We are delighted that we also continue to increase our younger volunteer contingent. We attracted 1,400 volunteers aged 25 and under by working with organisations such as the Department for Education, and offering initiatives such as placements for young service users, our annual volunteer internship scheme, and working closely with our colleagues in student fundraising. We remain an

Approved Activity Provider for the Duke of Edinburgh Award and over 200 young people volunteered in our shops in this capacity.

We were also successful in achieving reaccreditation with the Investing in Volunteers quality standard, which demonstrates that The Children's Society is committed to best practice in volunteering, and gives our volunteers confidence in our ability to deliver an outstanding volunteer experience.

Our volunteers give their time and energy to help tackle the root causes of poverty, abuse and neglect that affect young people's lives, and we continue to recognise and celebrate the vital contribution that they make.

### **Fundraising and Supporter Engagement**

In 2016/17 we developed a new Supporter Engagement Strategy. This approach builds even stronger relationships with our supporters and seeks to create a movement of like-minded individuals willing to give their time, voice and money to support children who suffer abuse and neglect. A crucial aspect of this is to ensure that we only contact supporters who wish to be contacted, and only by the methods they choose.

Consequently, one of the first things we did was to ask all our supporters about their contact preferences and we have ensured all communications make it clear

how they can opt out or amend these preferences.

The legal and regulatory environment relating to fundraising has changed considerably over the past year, and now all staff who have contact with supporters receive mandatory regulatory training. We also work with partner agencies to ensure their practices comply with the legal and regulatory changes, and to align them with our new strategy. We've placed particular importance on ensuring that staff and agencies know how to identify and treat vulnerable people.

During 2016/17, we were one of the first charities to register with the new Fundraising Regulator and to agree to abide by their Code of Fundraising Practice, Fundraising Promise and complaints process. In addition, we have our own Supporter Promise which sets out the high standards we employ in our relationships with supporters. You can read more about this promise to all our supporters at [childrenssociety.org.uk](http://childrenssociety.org.uk)

### **Remuneration**

Following negotiations with the recognised union, Unite, a new pay and grading structure was introduced in April 2016 for all non-senior leadership staff. This was to ensure that The Children's Society has a fair and equitable pay system, that we addressed historical anomalies, and that our pay continues to be in line with similar organisations and charities.

The resulting pay structures are informed by market rate analysis, and underpinned by the Living Wage Foundation recommendations.

The Trustee Board oversees the pay, pensions and any other benefits for the Chief Executive and Senior Leadership Team.

### **Modern Slavery**

The Children's Society is committed to full compliance with the Modern Slavery Act 2015, related ethical standards and human rights. To achieve this, The Children's Society has:

- a policy and procedures in place to address the risk of modern slavery in our supply chain
- a procurement policy confirming that it is the responsibility of all The Children's Society staff to prevent, detect and report modern slavery and trafficking in any part of our operations or supply chain
- sought guarantees from suppliers that they do not tolerate or permit modern slavery and has a contractual right to request compliance-related information.

Our Modern Slavery Transparency Statement is reviewed regularly to maintain our proactive approach and can be downloaded from our website.

## Principal risks and uncertainties

The Trustees of The Children's Society have responsibility for ensuring that the charity maintains comprehensive risk management systems and that appropriate actions are being taken to manage and mitigate risks. The Risk, Audit and Compliance Committee monitors and reviews these risk management arrangements and reports to the Trustee Board on their effectiveness.

A formal risk management strategy is in operation and provides a robust framework

for developing the corporate risk register and subsequently managing risk across the charity.

The Children's Society has an established system of internal controls that governs all of its operations. These controls have been designed to provide a reasonable level of assurance against the risk of error, fraud, and inappropriate or ineffective use of resources.

The outsourced internal audit function reviews the Corporate Risk Register to ensure that audits are correctly focused. They evaluate the adequacy and effectiveness of controls across

our activities, and report via the Risk, Audit and Compliance Committee to the Trustee Board.

Operational audits are carried out across our practice base by third-party auditors and an internal Quality Improvement Framework evidences our effectiveness in relation to the quality of our direct work. These audits and evaluations are also reported to the Risk, Audit and Compliance Committee.

The principal risks that have been identified in the Corporate Risk Register through their likelihood and impact on the charity are as follows:

Risk	Example of mitigating action
<ul style="list-style-type: none"> <li>A child protection failure results in a child or young person being harmed.</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory safeguarding training for all new staff and regular refresher modules for all frontline staff.</li> <li>Our experienced Quality Practice unit ensures safeguarding compliance procedures are regularly reviewed and monitored and that any change to requirements is identified and implemented.</li> <li>Regulatory requirements are built into our national service practice standards and service models.</li> <li>Operational audits include monitoring and reporting on compliance with regulatory requirements.</li> <li>An annual review of safeguarding practice and continuous evaluation of the effectiveness of safeguarding governance.</li> </ul>
<ul style="list-style-type: none"> <li>We are unable to respond to changes in the external funding environment to achieve net unrestricted income targets to meet our key objectives for young people.</li> </ul>	<ul style="list-style-type: none"> <li>Supporter engagement approach is geared to new market realities and internal taskforce and information governance board established to ensure compliance with changing fundraising regulations while optimising supporter value.</li> <li>Supporter Insight function and Strategy in place.</li> <li>Regular reviews of the external environment at both governance and operational level carried out, reported and action taken as required.</li> </ul>
<ul style="list-style-type: none"> <li>Pension liabilities increase faster than forecast resulting in serious financial pressures.</li> </ul>	<ul style="list-style-type: none"> <li>Pensions strategy and plan agreed and implemented to reduce liabilities and volatility.</li> </ul>
<ul style="list-style-type: none"> <li>We are unable to translate strategic intent into operational reality, resulting in our new operating model failing to deliver its intended benefits, generate efficiencies, increase our impact on young people, enhance our reputation or achieve income growth.</li> </ul>	<ul style="list-style-type: none"> <li>Single strategy in place with non-value added/non-strategic activity halted.</li> <li>Integration of strategy, budget and business planning including 'Lean' approach to activities.</li> <li>Disciplined monitoring of progress against core plans.</li> </ul>

# Financial review

In the face of sector-wide headwinds during 2016/17, including tightening statutory budgets, pressures on voluntary income and poor investment performance in pension schemes, the overall performance of the Society was satisfactory.

Financial performance resulted in net income of £2.0m (2016: £1.2m), with gains on investments compensating for an underlying deficit position.

Following its planned exit from children's centres and lower income from legacies and donations, the Society's gross income has continued to reduce to £41.6m (2016: £43.8m). Expenditure has fallen to £39.6m (2016: £42.7m) as a result of the same factors.

Total funds of the Society have reduced to £25.7m at 31 March 2017, from £35.4m at 31 March 2016. The increase in the accounting value of the pension deficit by £10.8m is the main cause of the fall in total funds. Gains on property and investment values have offset an underlying deficit position in operating activities.

As part of making the Society a fully supportive, high-performing and agile organisation, it took steps at the end of the 2016/17 financial year to significantly reduce the cost of activities not directly impacting on children and young people. The effect of these changes will be seen during 2017/18 and beyond.

## Income

Total income for the Society of £41.6m was £2.2m (5.1%) lower than 2015/16, an effect of the planned exit from children's centres, and lower income from legacies and donations.

Income and endowments from generated funds, the Society's income from donations, legacies and grants from other organisations fell by £2.5m (10.8%), continuing a trend of recent years. In 2016/17, the Society maintained its income from home box, Christingle collections and community engagement, while legacies in particular were significantly lower than the previous year, and there was some contraction in committed giving and donations. Expenditure on generating donated income was purposefully reduced during the development of the Supporter Engagement Plan, such that net income from donations and legacies reduced by only £1.1m, from £16.7m to £15.6m. The new Supporter Engagement Plan is expected to show medium- to long-term increases in the net income from donations by supporters.

Other trading activities represents income from the Society's shop network and participation events. Income from these activities rose by £0.7m (7.8%) principally reflecting improved year-on-year income on like-for-like shops as well as new shop openings.

Total gross income from these activities to generate income to support the work of the Society was £30.5m (2016: £32.3m).

Income from charitable activities is the income the Society receives from government and other bodies under contract to provide services directly to children and young people. In 2016/17 income from contracts fell by £3.6m (33.5%) because of planned changes to activity.

Other income arises from investment returns where the Society generates cash income and capital growth from its investments, and rental income. Gains on revaluations in the year were £3.7m (2016: loss of £0.2m). Property disposals have been at prices near to book value thus generating neither significant gains nor losses.

## Expenditure

Total expenditure for the Society of £39.6m was £3.1m (7.2%) lower than 2015/16, reflecting the lower costs of generating funds and the reduction in children's centres.

The cost of generating committed giving has shown a marked decrease of £1.6m (62.9%) as the Society has introduced changes to its approach to supporter recruitment as well as cutting back expenditure to limit the impact of reducing income.

Shop operating costs have risen by £1.2m (15.9%) as a result of additional shops opening in the current and previous year,

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increments to the Living Wage and changes in sharing costs within the Society.

Campaigning, policy and research activity costs have increased slightly to £5.2m (2016: £5.0m). Support and governance costs of £4.6m (2016: £4.2m) have risen as the implementation finance software was completed and altered the methodology for allocation of costs in central support functions away from direct allocation.

The changing nature of the Society's work has reduced the number of full-time equivalent staff to 567 from 781 in 2015/16. Total staffing costs have reduced by £1.2m (4.4%). Redundancy costs of £0.3m associated with the cost-reduction programme are included in the accounts for the year to 31 March 2017.

### Capital investment

In 2016/17 we have continued our programme of disposing of freehold land and buildings surplus to operational needs, selling assets with carrying value of £1.1m. We completed our investment in efficient financial administration software and opened new shops, adding fixed assets with a cost of £0.9m.

### Financial Investments

The Society has benefitted from the recovery in investment prices which has brought returns in capital growth of £3.6m (2016: loss of £0.2m). Investments are held by three fund managers,

and totalled £25.3m at the end of the financial year. The value of holdings is equal between those held for endowment funds and those held for general funds.

### Pensions

In 2016/17, the trustees of the scheme concluded a triennial valuation exercise for the Society's final salary pension scheme. The conclusion of the valuation was that the deficit in the scheme at 30 September 2015 had reduced to £24.4m, from £34.4m at the previous valuation in 2012. The scheme was then 83% funded compared to 71% in 2012. Under the deficit recovery plan agreed with the Trustees of the scheme, the Society paid a lump-sum contribution to the scheme of £1.0m in October 2016, followed by lower annual contributions of £1.4m per year for three years. Current service contribution rates rose from a total of 21.1% of salary to 24.5% of salary.

Falling returns on investments have increased the accounting value of the deficit in the final salary schemes to £17.9m (2016: £7.1m). Details of the FRS 102 valuation of the scheme at the date of the accounts are in note 12.

### Cash and working capital

At 31 March 2017, the net cash balance of the Society was £1.3m (2016: £0.3m).

The Society had a net cash outflow from operating activities of £2.4m (2016: outflow of

£1.5m). The net cash outflows include £3.1m (2016: £2.6m) of payments to reduce the pension deficit described above. The net cash outflow has been met in the 2016/17 year by cash flows from investing activities of £3.4m (2016: £0.9m).

### Reserves

The Children's Society holds endowment, restricted and unrestricted reserves. Unrestricted reserves are subdivided into general, designated and pension funds. The reserves policy and the level of unrestricted reserves is reviewed annually by the Finance and Investment Committee before ratification by the Trustee Board.

### Unrestricted funds

Unrestricted funds are held to maintain continuity of care for the children and young people we support. The Society aims to hold sufficient unrestricted funds to meet day-to-day operating costs and to ensure that it is able to withstand financial impacts that may arise from external events, such as:

- Longer-term changes in income patterns requiring a change in strategy
- Sudden falls in the level of donations and legacies
- Variation in public-sector income
- Short-term variations in cash requirements
- Potential significant risks from events such as reputation damage and pension obligations.

### General funds

The Trustee Board have set a target level of general funds equivalent to not less than six months' anticipated expenditure. At 31 March 2017, general funds stand at £16.1m, the equivalent of 5.1 months of anticipated expenditure (2016: £17.5m; 4.8 months). The cost-reduction programme is intended to prevent further erosion of the general funds balance and to enable the Society to meet its general funds target.

### Designated funds

These funds with a value of £14.5m (2016: £14.4m) represent the value of properties in operational use and that are therefore not available for use for other purposes in the Society.

### Pension reserve

The pension reserve reflects the long-term liability of the Society to meet the deficit in its final salary pension scheme, calculated under FRS 102.

### Restricted funds

Restricted funds arise from donations to the Society that are stated by the donor to only be used for specific purposes. At 31 March 2017 the value of such funds stood at £0.6m (2016: £0.8m).

### Endowment funds

Endowment funds represent assets donated to the Society from which only the income generated may be spent; the underlying capital must be maintained. We invest these funds in investment portfolios and at 31 March they had risen to a value of £12.5m (2016: £9.7m).

### Subsidiary and consortium companies

The Children's Society has two subsidiary companies that donate their taxable profits each year to the Society so that no tax is suffered by them. The Children's Society (Trading) Limited trades to raise money for the Society and made a profit of £0.1m in the year (2016: £0.2m). The Children's Society (Services) Limited operates contracts for the delivery of services alongside the Society. It made a profit of £0.9m in the year (2016: £1.9m).

### Outlook

The Trustee Board of The Children's Society has agreed the business and financial strategies proposed by the Senior Leadership Team in the context of the new strategy, designed to provide a sustainable financial foundation to continue and extend the work of the Society in breaking cycles of disadvantage for children and young people. We

are introducing lean principles and methodologies to the organisation in support of the transformation of the Society to be a fully supportive, high-performing and agile organisation.

We recognise the challenges presented by public sector budget limitations, the UK economic situation, and the uncertainty engendered by Brexit and the political situation arising from a hung parliament.

The Children's Society has made substantial progress with its programme to reduce operating costs to a level that no longer reduces general funds, and provides a platform for activity generating additional funds for work with our beneficiaries.

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# Statement of responsibilities

## in respect of the trustees' annual report and the financial statements

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The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 of the excess of income over expenditure for that period.

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

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

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

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

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



**Janet Legrand**  
Chair of Board of Trustees

26 July 2017

# Independent auditor's report to the members of The Church of England Children's Society

We have audited the financial statements of The Church of England Children's Society for the year ended 31 March 2017 set out on pages 24 to 50. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 21, 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.

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 [frc.org.uk/auditscopeukprivate](http://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 charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

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

In our opinion the information given in the Trustees' Annual Report, which constitutes the Strategic Report and the Directors' Report for the financial year, is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

## 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 requires us to report to you if, in our opinion:

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



**Ian Pennington**  
**(Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP,**  
**Statutory Auditor**

Chartered Accountants  
15 Canada Square  
London E14 5GL

27th July 2017

# Financial statements

# Consolidated statement of financial activities

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

	Note	Unrestricted funds £000	Endowment and Restricted funds £000	Total Funds 2017 £000	Total Funds 2016 £000
<b>Income and endowments from generated funds</b>					
Total income from donations and legacies	3	18,429	2,181	<b>20,610</b>	23,108
Less: expenditure on raising funds	9	(5,053)	-	<b>(5,053)</b>	(6,400)
<b>Net income from donations and legacies</b>		<b>13,376</b>	<b>2,181</b>	<b>15,557</b>	<b>16,708</b>
<b>Other trading activities</b>					
Total income	4	9,913	-	<b>9,913</b>	<b>9,195</b>
Less: cost of trading activities	9	(8,794)	-	<b>(8,794)</b>	<b>(7,679)</b>
<b>Net income from trading activities</b>		<b>1,119</b>	<b>-</b>	<b>1,119</b>	<b>1,516</b>
<b>Income from charitable activities</b>	5	7,051	-	<b>7,051</b>	10,609
<b>Total net income from primary activities</b>		<b>21,546</b>	<b>2,181</b>	<b>23,727</b>	<b>28,833</b>
<b>Other income</b>					
Income from investments	6	236	-	<b>236</b>	370
Gain/(loss) on revaluations and disposals of investment assets	14	941	2,753	<b>3,694</b>	(213)
Other income	7	110	-	<b>110</b>	760
<b>Net income from investment and other sources</b>		<b>1,287</b>	<b>2,753</b>	<b>4,040</b>	<b>917</b>
<b>Net income available for charitable activities</b>		<b>22,833</b>	<b>4,934</b>	<b>27,767</b>	<b>29,750</b>
<b>Expenditure on charitable activities</b>					
Charitable activities					
▪ Childcare and protection	9	(17,975)	(2,443)	<b>(20,418)</b>	(23,182)
▪ Campaigning	9	(4,130)	-	<b>(4,130)</b>	(3,807)
▪ Policy and research	9	(1,023)	-	<b>(1,023)</b>	(1,214)
Net interest cost on defined benefit pension scheme	9	(186)	-	<b>(186)</b>	(396)
<b>Total expenditure on charitable activities</b>		<b>(23,314)</b>	<b>(2,443)</b>	<b>(25,757)</b>	<b>(28,599)</b>
<b>Net income</b>		<b>(481)</b>	<b>2,491</b>	<b>2,010</b>	<b>1,151</b>
<b>Other recognised gains and losses</b>					
Gain on revaluations of fixed assets	13	1,960	-	<b>1,960</b>	3,362
Actuarial gain/(loss) on defined benefit pension scheme	12	(13,739)	-	<b>(13,739)</b>	3,997
<b>Total other recognised losses and gains</b>		<b>(11,779)</b>	<b>-</b>	<b>(11,779)</b>	<b>7,359</b>
<b>Net movement in funds</b>	18	(12,260)	2,491	<b>(9,769)</b>	8,510
Fund balances at 1 April 2016	18	24,910	10,530	<b>35,440</b>	26,930
<b>Fund balances at 31 March 2017</b>	<b>18</b>	<b>12,650</b>	<b>13,021</b>	<b>25,671</b>	<b>35,440</b>
<b>Summary of total income and total expenditure</b>					
Total income and endowments		36,680	4,934	<b>41,614</b>	43,829
Total expenditure	9	(37,161)	(2,443)	<b>(39,604)</b>	(42,678)
<b>Net income</b>		<b>(481)</b>	<b>2,491</b>	<b>2,010</b>	<b>1,151</b>
<b>Total cost of raising funds</b>	<b>9</b>	<b>(13,847)</b>	<b>-</b>	<b>(13,847)</b>	<b>(14,079)</b>

All the activities of the Group and Society are continuing. There are no other recognised gains and losses.  
See note 24 for comparative figures.  
The notes on pages 28 to 50 form part of these financial statements.

# Balance sheets

at 31 March 2017

	Note	Group		Society	
		2017 £000	2016 £000	2017 £000	2016 £000
<b>Fixed Assets</b>					
Tangible Fixed Assets	13	<b>20,471</b>	19,423	<b>20,471</b>	19,423
Investments	14	<b>25,320</b>	23,123	<b>25,320</b>	23,123
		<b>45,791</b>	<b>42,546</b>	<b>45,791</b>	<b>42,546</b>
<b>Current Assets</b>					
Debtors	16	<b>2,171</b>	3,626	<b>1,663</b>	1,933
Properties held for sale		<b>53</b>	853	<b>53</b>	853
Investments	14	-	2,503	-	2,503
Cash at bank and in hand	15	<b>1,271</b>	-	<b>859</b>	-
		<b>3,495</b>	<b>6,982</b>	<b>2,575</b>	<b>5,289</b>
<b>Current Liabilities</b>					
Creditors - amounts falling due within one year	17	<b>(5,734)</b>	(7,038)	<b>(4,814)</b>	(5,345)
<b>Net current liabilities</b>		<b>(2,239)</b>	<b>(56)</b>	<b>(2,239)</b>	<b>(56)</b>
<b>Net assets excluding pension liability</b>		<b>43,552</b>	<b>42,490</b>	<b>43,552</b>	<b>42,490</b>
<b>Defined benefit pension scheme liability</b>	12	<b>(17,881)</b>	<b>(7,050)</b>	<b>(17,881)</b>	<b>(7,050)</b>
<b>Net assets</b>		<b>25,671</b>	<b>35,440</b>	<b>25,671</b>	<b>35,440</b>
<b>The funds of the charity</b>					
Unrestricted funds:					
Designated funds	18	<b>14,471</b>	14,423	<b>14,471</b>	14,423
General funds	18	<b>16,060</b>	17,537	<b>16,060</b>	17,537
Pension reserve	18	<b>(17,881)</b>	(7,050)	<b>(17,881)</b>	(7,050)
<b>Net unrestricted funds</b>		<b>12,650</b>	<b>24,910</b>	<b>12,650</b>	<b>24,910</b>
Restricted funds	18	<b>552</b>	814	<b>552</b>	814
Endowment funds	18	<b>12,469</b>	9,716	<b>12,469</b>	9,716
<b>Total funds</b>		<b>25,671</b>	<b>35,440</b>	<b>25,671</b>	<b>35,440</b>

The notes on pages 28 to 50 form part of these financial statements.

The financial statements were approved by the Trustee Board on 26 July 2017 and were signed on its behalf by:



**Chris Gillies, Honorary Treasurer**

Company Registration No 40004

# Consolidated cash flow statement

for the year ended 31 March 2017

	Note	2017 £000	2016 £000
<b>Cash (outflow)/inflow from continuing operating activities</b>			
<b>Net cash used in operating activities</b>	(a)	<b>(2,425)</b>	<b>(1,545)</b>
<b>Cash flows from investing activities:</b>			
Investment income received	6	236	370
Net interest cost on defined benefit pension scheme	9	-	(396)
Proceeds from sales of investments	14	3,000	2,500
Purchase of tangible fixed assets	13	(897)	(1,659)
Proceeds from sale of tangible fixed assets		1,044	95
<b>Net cash provided by investment activities:</b>		<b>3,383</b>	<b>910</b>
<b>Increase/(decrease) in cash</b>	(b)	<b>958</b>	<b>(635)</b>

## Notes to the consolidated cash flow statement

### (a) Reconciliation of net income to net cash flow from operating activities

Net income for the reporting period (as per the statement of financial activities)	2,010	1,151
Adjustments for:		
Investment income receivable	(236)	(370)
Net interest cost on defined benefit pension scheme	186	396
Depreciation charges	1,520	1,501
Loss on sale of tangible fixed assets	45	27
(Gain)/loss on revaluations and disposals of investment assets	(3,694)	213
Decrease/(Increase) in debtors	1,455	(42)
Decrease in creditors other than bank overdraft	(617)	(1,813)
<b>Net cash provided by/(used in) operating activities before impact of pension liability</b>	<b>669</b>	<b>1,063</b>
Decrease in pension liability (excluding actuarial gains and losses)	(3,094)	(2,608)
<b>Net cash used in operating activities</b>	<b>(2,425)</b>	<b>(1,545)</b>

	2016 £000	Cash flow £000	2017 £000
<b>(b) Analysis of the balances of cash</b>			
Cash at bank and in hand	-	1,271	1,271
Bank overdraft	(687)	687	-
Short-term deposits	1,000	(1,000)	-
<b>Cash movement</b>	<b>313</b>	<b>958</b>	<b>1,271</b>



# Notes to the financial statements

for the year ended 31 March 2017

## 1 Accounting policies

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 (Charities SORP (FRS 102)) and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011. The Children's Society meets the definition of a public benefit entity under FRS 102.

The Trustees have reviewed The Children's Society's financial position, considering the impact of future activities, to ensure it is appropriate to produce the accounts on a going concern basis for the 12 months from the date the accounts are signed.

A summary of the accounting policies, which have been consistently applied, is set out below.

### a Basis of accounting

The financial statements are prepared under the historical cost basis of accounting, as modified by the periodic revaluation of properties and the inclusion of investments at market value. The Children's Society has an interest in the freeholds of certain properties. Where these are held for rental return or future capital gain, these are treated as investment properties.

Such freeholds are deemed investment properties because they are held for the purposes of:

- Ensuring a continuing ground rent and management income
- Realising potential capital appreciation.

Investment properties are revalued annually and the aggregate surplus or deficit is transferred to the general reserve.

No depreciation is provided in respect of investment properties. The Trustees consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view.

### b Accounting for income

Income received by way of donations, collecting boxes and parish giving or from functions, shops or flag days is not recorded in the financial statements until the cash, or document of title to the investment or property, is received at headquarters. Legacy income is recognised in the SOFA when receipt of it is probable and amounts receivable can be measured with sufficient reliability.

No account is taken of monies or other assets in the hands of outside or voluntary helpers until such monies are banked or other assets are remitted to headquarters. Contracted fees receivable from and grants invoiced to local authorities, as well as investment income and income tax recoverable, are accrued. Other grants from central government and local authorities are recorded in the financial statements when they are receivable.

Contracted fee income specifically received in advance of expenditure in the next financial year is deferred in the balance sheet.

The value of investments and property bequeathed or donated to The Children's Society is taken to be market value on the date when the documents of title are received.

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## **c Expenditure**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to that category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources. Central overhead costs are allocated to operational and fundraising functions on the basis of their use of central support services.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the cost of disseminating information in support of the charitable activities.

Support costs, which include central or regional functions such as general management, budgeting and accounting, payroll administration, human resources, information technology, facilities and estates, are allocated across charitable and fundraising activities under the following categories, financial management, people and organisational development, information systems, facilities and estates.

Where information about the aims, objectives and projects of the Charity is provided in the content of fundraising material in an educational manner in the furtherance of the Charity's objectives, those costs are apportioned to charitable activities.

Irrecoverable value added tax (VAT) is included in the relevant expense categories.

## **d Tax**

The Children's Society is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Profit from the subsidiaries is gift aided to The Children's Society.

## **e Leases**

All leases are operating leases. Costs in respect of these leases are charged to the statement of financial activities over the term of the lease.

## **f Fixed assets**

### **(i) Land and buildings**

Land and buildings are revalued on a three year rolling basis by a professionally qualified member of The Children's Society's staff on the basis of open market value for existing use. Land and buildings are stated in the balance sheet at the most recent valuation or, in the case of purchases or

additions subsequent to the date of such valuation, at cost, less depreciation provided in relation to such valuation or cost, as appropriate, to write off the assets other than freehold land over the following periods.

### **Freehold buildings:**

The period of the estimated useful life up to a maximum of 50 years from the date of purchase.

### **Leasehold land and buildings:**

The unexpired portion of the lease up to a maximum of 50 years from the date of the most recent revaluation or, if later, the date of the purchase.

### **Building improvements:**

Between three to six years based on nature of usage, or, if earlier, the unexpired portion of the lease.

### **Properties held for sale:**

Properties held for sale that are not in substantial use and for which there is no intention to replace are included in current assets. Their cost is considered to be the previous carrying amount prior to their reclassification from fixed assets. This is not in accordance with Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410), which requires current assets to be included at the lower of cost and net realisable value, and which would therefore require such properties to be restated on the basis of historical cost when they were reclassified. The directors

# Notes to the financial statements

for the year ended 31 March 2017

consider that compliance with this requirement would fail to give a true and fair view of the profit or loss to the Group on subsequent disposal of such properties from current assets. The effect of this departure is to increase both the carrying amount of properties and the balance on the revaluation reserve by £52,700.

## (ii) Motor vehicles

Motor vehicles are stated in the balance sheet at cost, less depreciation provided to write off the vehicles over a period of four years.

## (iii) Equipment

Equipment is stated in the balance sheet at cost, less depreciation provided to write off the equipment over a period of four years.

## (iv) Investments

Listed investments are shown at mid-market value. Unlisted investments are shown at original cost or value on acquisition except that, where in the opinion of the Trustee Board, a reduction in value has occurred, an appropriate provision is made. The market value of securities denominated in foreign currencies is converted to sterling at the exchange rate ruling at the balance sheet date.

Any gain or loss on revaluation is taken to the statement of financial activities.

Net current account cash balances at the end of each day

are transferred to overnight interest bearing deposit that is included within current asset investments.

## g Fund accounting

The Charity has various types of funds for which it is responsible, and which require separate disclosure. These are as follows:

### Endowment funds

These funds comprise capital sums which are donated under the restriction that they are invested and that only the income arising is available for expenditure for the general purposes of The Children's Society.

### Restricted funds

These funds are restricted by the donor for specific purposes. Revenue funds restricted by the donor are held in restricted reserves and funds are matched against expenditure as appropriate.

### Unrestricted funds

These funds comprise accumulated surpluses and deficits on general funds that are expendable at the discretion of the trustees in furtherance of the objects of the charity and that have not been designated for other purposes.

### Designated funds

These are unrestricted funds that have been set aside at the discretion of the trustees for particular purposes.

## h Pensions

The Children's Society operates a defined benefits pension scheme, providing benefits based on final pensionable pay, as well as a defined contributions pension scheme.

The defined benefits scheme was closed to new members in June 2003. Pension scheme assets are measured at market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The assets of the scheme are held separately from those of The Children's Society, in a separately administered fund. The amount charged in expenditure includes the current service cost.

This is included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount as other finance income. Actuarial gains and losses are recognised immediately in the 'Other recognised gains and losses'. A pensions reserve has been created within unrestricted funds in compliance with paragraph 10.93 of the SORP. Details of the

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pension scheme are disclosed in note 12 to the accounts.

Since July 2003 The Children's Society has provided a scheme with defined contributions for new members. Contributions to the stakeholder pension scheme are charged to the profit and loss account as they arise. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet. The assets of the scheme are held separately from those of The Children's Society, in a separately administered fund.

#### **i Liabilities**

Future liabilities are recognised when The Children's Society has a legal or constructive financial obligation, that can be reliably estimated and for which there is an expectation that payment will be made.

#### **j Trading company**

Income and expenditure have been included on a line-by-line basis in the statement of financial activities. The summary of the results of the trading company is shown in note 2 to the accounts.

#### **k Shared services**

The Children's Society, Age UK and The Alzheimers Society have joined their IT resources to provide a shared IT service to the charities. The service is being provided through a separate company, CharITyshare Limited. This joint service has the form but not the substance of a joint venture. The Children's Society accounts directly for its share of the assets, liabilities and cash flows according to the shared services agreement.

# Notes to the financial statements

for the year ended 31 March 2017

## 2 Subsidiary undertakings

The Children's Society wholly owns the issued share capital of both The Children's Society (Trading) Limited, whose principal activity is fundraising in aid of The Children's Society, and The Children's Society (Services) Limited, whose principal activity is to subcontract certain service activities.

Both companies gift aid their taxable surplus to The Children's Society and also pay interest on loans from The Children's Society.

A summary of the results is shown below.

	Trading		Services	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Summarised profit and loss account</b>				
Turnover	191	276	6,219	9,768
Expenditure	(112)	(93)	(5,354)	(7,772)
<b>Surplus for the year</b>	<b>79</b>	<b>183</b>	<b>865</b>	<b>1,996</b>
Taxation	(16)	(37)	(173)	(399)
Gift Aid payment to The Children's Society	(63)	(146)	(692)	(1,597)
<b>Retained profit for the year after Gift Aid payment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Summarised Balance Sheet</b>				
Current assets	291	48	978	1,923
Current liabilities	(6)	(128)	(1,127)	(1,590)
<b>Amount owing from/(to) The Children's Society</b>	<b>(285)</b>	<b>80</b>	<b>149</b>	<b>(333)</b>
<b>Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Share capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Retained reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The issued share capital is £3.

The issued share capital is £1.

Included within the turnover of The Children's Society (Trading) Limited, is events income of £95,000 (2016:£161,000), operations income of £96,000 (2016:£108,000) and nil (2016:£7,000) income from support services provided to CharITyshare.

### 3 Donations and legacies

		2017 £000		2016 £000
Legacies		5,125		6,324
Committed giving		6,955		7,400
Donations		987		1,442
Community and parish giving				
Box income	1,689		1,626	
Christingle	1,152		1,223	
Other community and parish giving	1,360	4,201	1,170	4,019
Grants from charitable bodies		3,342		3,923
		<b>20,610</b>		<b>23,108</b>

### 4 Activities for generating funds

		2017 £000		2016 £000
Fundraising events and other activities				
Shops		9,134		8,513
Charity		628		501
Trading company		151		181
		<b>9,913</b>		<b>9,195</b>

### 5 Income from charitable activities

		2017 £000		2016 £000
Local authority		6,341		9,037
Central government		710		1,572
		<b>7,051</b>		<b>10,609</b>

### 6 Investment income

		2017 £000		2016 £000
Fixed asset investments		236		370
		<b>236</b>		<b>370</b>

### 7 Other income

		2017 £000		2016 £000
Rental income		86		223
Loss on sale of tangible fixed assets		(45)		(27)
Other income		69		564
		<b>110</b>		<b>760</b>

# Notes to the financial statements

for the year ended 31 March 2017

## 8 Income from charitable activities

Grants receivable in the year and expenditure recorded to date relating to these grants (where required) include those from the following sources:

	£000
<b>Deferred from 2015/16</b>	<b>763</b>
<b>Value of grants gross of any deferred income receivable in the year for which expenditure has not yet been incurred</b>	
The Big Lottery Fund	
<b>Commissioning Better Outcomes Programme:</b>	
Commissioning Better Opportunities	33
Cheshire New Leaf	44
<b>Reaching Communities grants:</b>	
Streetwise in Birmingham and Coventry	138
Hidden Harm CCHAT	79
Inclusion Matters	50
Step and Connect	74
Safe Choices Young Men	37
London CSE Lottery Alliance	113
Young Destitution	105
Stand By Me	115
Family Voices	122
Lets Communicate Together	54
Check Point	121
CSE Funding Alliance Check Point Devon	99
Pacific Waves Weymouth (WAVES)	136
SCARPA (Safeguarding Children at Risk – Prevention and Action)	68
SMART ( Supporting Migrants, Asylum-seekers and Refugees Together)	126
Missing from Home	110
Family Greater Together	118
Lancashire Hub & Spoke	97
Asylum Refugee Community Advocacy support services Blackburn	23
Future Links	49
Family Food	77
<b>SIB Big Potential Advanced:</b>	
Social Investment Business Big Potential Advanced	42
<b>Youth In Focus:</b>	
London CSE Youth In Focus	131

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**Other grants:**

The AIM Foundation – Hidden Harm Service, Essex	55
The Alice Ellen Cooper Dean Charitable Foundation – WAVES mindfulness	10
The Ballinger Charitable Trust - Child Sexual Exploitation, North East Hub and Spoke	50
BBC Children in Need – Friendship For All	3
BBC Children in Need – Hub and Spoke Devon	38
BBC Children in Need – SCARPA	30
The Bromley Trust – CARE Essex (Children at risk of exploitation)	15
The Bryan Guinness Charitable Trust – SCARPA	10
Comic Relief - Hub and Spoke, Children's Society	68
The Guardian and Observer 2016 Charity Appeal	489
The Henley Festival Trust – Young Carers service	40
The J.C. Flowers Foundation – Migrant and Refugee services, Kent	60
Mission in Britain Fund – SCARPA	29
The Samworth Foundation – Nottingham service	60
The Samworth Foundation – Rise	30
Sir James Knott Trust - SCARPA	15
Stanley Thomas Johnson Foundation – HEARTS (Help each asylum seeker and refugee to settle)	14
Wellcome Trust - Cataloguing and preservation of The Children's Society's archive	68
West Ham Home and Hostel Trust – Oldham Resolve	47
The Zochonis Charitable Trust – Greater Manchester service	50

**Other grants from charitable bodies in the year amount to:** **440**

**Deferred to 2017/18** **(1,203)**

**3,342**

# Notes to the financial statements

for the year ended 31 March 2017

## 9 Expenditure

### Analysis of expenditure

	Direct Costs £000	Governance and Support Costs £000	Total Costs 2017 £000	Total Costs 2016 £000
<b>Cost of generating funds</b>				
Cost of generating voluntary income				
Legacies	348	28	376	419
Committed giving	873	62	935	2,518
Donations	1,721	142	1,863	1,769
Community and parish giving	1,753	126	1,879	1,694
<b>Total cost of generating voluntary income</b>	<b>4,695</b>	<b>358</b>	<b>5,053</b>	<b>6,400</b>
<b>Cost of fundraising activities</b>				
Events and other activities				
▪ Charity	35	41	76	154
▪ Trading Company	112	7	119	104
Shops operating costs	8,012	587	8,599	7,421
<b>Total cost of fundraising activities</b>	<b>8,159</b>	<b>635</b>	<b>8,794</b>	<b>7,679</b>
<b>Total cost of generating funds</b>	<b>12,854</b>	<b>993</b>	<b>13,847</b>	<b>14,079</b>
<b>Charitable activities</b>				
Childcare and protection				
Unrestricted	15,381	2,594	17,975	20,225
Endowment and restricted	2,090	353	2,443	2,957
<b>Total childcare and protection</b>	<b>17,471</b>	<b>2,947</b>	<b>20,418</b>	<b>23,182</b>
Campaigning	3,559	571	4,130	3,807
Policy and research	943	80	1,023	1,214
<b>Net interest cost on defined benefit pension scheme</b>	<b>186</b>	<b>-</b>	<b>186</b>	<b>396</b>
<b>Total expenditure</b>	<b>35,013</b>	<b>4,591</b>	<b>39,604</b>	<b>42,678</b>
<b>Expenditure also includes:</b>				
Operating lease rentals (land and buildings)			1,904	1,845
Depreciation charge			1,520	1,501
Auditor remuneration:				
Audit of the Society's financial statements			55	58

## 10 Governance and support costs

The following table shows how the group's governance and support costs have been allocated to expenditure.

	2017 £000	2016 £000	Basis of allocation
<b>Governance and support costs</b>			
Financial management	<b>1,368</b>	939	Estimate of time spent on supporting the various activities
People and organisational development	<b>1,155</b>	1,337	Head count
Information systems	<b>1,343</b>	1,163	Number of PCs held
Facilities and estates	<b>725</b>	758	Head count
	<b>4,591</b>	<b>4,197</b>	
<b>Governance costs (included above)</b>			
Internal audit	<b>78</b>	163	Head count
External audit	<b>55</b>	60	Head count
Trustee board administration costs	<b>18</b>	17	Head count
Trustees' indemnity insurance	<b>6</b>	6	Head count
Apportionment of executive directors' costs	<b>34</b>	36	Head count
Health and safety	<b>18</b>	21	Head count
	<b>209</b>	<b>303</b>	

# Notes to the financial statements

for the year ended 31 March 2017

## 11 Employees and the Trustee Board

	Average headcount		Full-time equivalent	
	2017 number	2016 number	2017 number	2016 number
<b>The average monthly number of employees during the year was:</b>				
<b>Full-time</b>	<b>567</b>	<b>574</b>	<b>567</b>	<b>574</b>
Children and Families	213	241	213	241
External Affairs	35	27	35	27
Finance and Corporate Services	80	83	80	83
Supporter Impact and Income	74	61	74	61
Marketing, Communications and Digital	38	45	38	45
Shops	127	117	127	117
<b>Part-time</b>	<b>349</b>	<b>402</b>	<b>175</b>	<b>207</b>
Children and Families	258	324	123	162
External Affairs	8	10	6	5
Finance and Corporate Services	13	14	9	9
Supporter Impact and Income	3	3	2	2
Marketing, Communications and Digital	7	7	5	5
Shops	60	44	30	24
	<b>916</b>	<b>976</b>	<b>742</b>	<b>781</b>
<b>Staff pay costs were made up of:</b>				
			2017 £000	2016 £000
Wages and salaries			21,625	22,415
Pension costs			1,333	984
Social security costs			1,920	1,968
Redundancy payments			371	429
Contract, temporary and agency costs			1,238	1,701
Other staff pay costs			614	779
			<b>27,101</b>	<b>28,276</b>

The total amount of redundancy payments for the year was £371,000 (2016: £430,000). The nature of these payments were lump sum payments and the accounting policy is to recognise redundancies when employees are notified of the risk. The amount accrued at the reporting date was £321,000 (2016: £161,000).

Total 2017 number	Total 2016 number
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**Number of employees whose emoluments (including redundancy payments) for the year fall:**

Between £60,001 and £70,000	<b>7</b>	8
Between £70,001 and £80,000	<b>3</b>	2
Between £80,001 and £90,000	<b>1</b>	-
Between £90,001 and £100,000	<b>2</b>	1
Between £100,001 and £110,000	-	1
Between £110,001 and £120,000	-	-
Between £120,001 and £130,000	<b>1</b>	1

Contributions in the year for the provision of money purchase benefits in respect of the above higher paid staff amounted to £63,982 (2016: £70,836).

The key management personnel comprise the Chief Executive Officer, Director for Children and Families, Director of Finance and Corporate Services, Director for Supporter Impact and Income, Director of Marketing, Communications and Digital and Director of External Affairs. The total remuneration paid to key management personnel was £481,717 (2016: £514,714).

The salary of the Chief Executive during the year ended 31 March 2017 was £114,750 (2016: £112,500). In addition, the company paid pension contributions of £11,570 (2016: £10,557) into a defined contribution scheme.

Total 2017 number	Total 2016 number
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**Number of higher paid staff to whom retirement benefits are accruing:**

Money purchase scheme	<b>14</b>	13
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The Trustees', CEO and senior directors' responsibilities require them to attend governance meetings, speak at fundraising events, lead operations and manage senior relationships with funders, suppliers and external policy makers across England. No members of the Trustee Board received, or were entitled to receive, any remuneration. Where expenses were claimed, reimbursement was made. In the year, travelling expenses of £5,932 (2016: £6,112) were reimbursed to five trustees (2016: five).

# Notes to the financial statements

for the year ended 31 March 2017

## 12 Pension scheme

The Children's Society operates a defined contributions pension scheme as well as a defined benefits pension scheme that was closed to new members in June 2003. For the defined contribution section the pension cost charge for the period represents contributions payable by the Society to the scheme and amounted to £818,597 (2016: £919,915). The defined benefits scheme is externally funded and is contracted-in to the state second-tier of pension provision. Retirement benefits within this scheme are based on employees' final remuneration and length of service. The Children's Society also participates in The Pensions Trust Growth Plan ('the Growth Plan'), as a mechanism for staff in the defined benefit pension scheme to make additional voluntary contributions.

### FRS 102 disclosure

The results of the actuarial valuation carried out at 30 September 2015 have been updated to 31 March 2017 by a qualified actuary, independent of the scheme's sponsoring employer. The most recently completed scheme funding actuarial valuation showed a deficit of £24,381,000 as at 30 September 2015.

The assumptions used by the actuary are the best estimates chosen each year from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The financial assumptions used to calculate scheme liabilities are as follows:

	2017	2016	2015	2014	2013
Rate of increase in salaries	0.00%	0.00%	0.00%	0.00%	2.30%
Rate of increase in pensions in payment	2.35%	1.90%	1.90%	2.30%	2.30%
Discount rate	2.60%	3.60%	3.40%	4.60%	4.60%
Inflation assumption	3.30%	2.90%	3.00%	3.30%	3.30%
Rate of increase for deferred pensions	3.30%	2.90%	3.00%	3.30%	3.30%

The rate of increase in salaries is assumed at 0% as steps were taken to freeze pensionable salaries as at 31 December 2013.

## Scheme assets and liabilities

The fair value of the scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus are inherently uncertain, were:

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Bonds	69,286	56,569	59,499	49,824	49,430
Equities	62,808	52,897	51,445	47,147	46,855
Property	9,165	9,637	8,814	7,873	7,167
Cash	238	592	1,072	736	930
<b>Scheme assets</b>	<b>141,497</b>	<b>119,695</b>	<b>120,830</b>	<b>105,580</b>	<b>104,382</b>
<b>Present value of scheme liabilities</b>	<b>(159,036)</b>	<b>(126,384)</b>	<b>(133,826)</b>	<b>(120,262)</b>	<b>(121,223)</b>
Deficit in the scheme - pension liability	(17,539)	(6,689)	(12,996)	(14,682)	(16,841)
Related deferred tax asset	-	-	-	-	-
Present value of Growth Plan provision	(342)	(361)	(329)	(345)	-
<b>Net pension liability</b>	<b>(17,881)</b>	<b>(7,050)</b>	<b>(13,325)</b>	<b>(15,027)</b>	<b>(16,841)</b>

The Children's Society reserves at the end of the year are £43,552,000 excluding the FRS 102 pension deficit and growth plan provision. The effect of FRS 102 has been to reduce reserves by £17,539,000 (pension deficit) and £342,000 (growth plan provision) to £25,671,000.

Mortality assumptions have been based on Mortality table CMI 2015 for all members. These assumptions allow for improvement rates varying by year of birth and long term improvement rates of 1.25% p.a. for males and 1.00% p.a. for females.

Under the projected unit method the service cost can be expected to rise as a percentage of salaries as the membership of the scheme ages. The agreed contribution rate to be paid in the future is 24.5%, based on pensionable salaries of the members remaining within the closed scheme.

Employers' contributions paid during the year amount to £3,411,000 (2016: £3,116,000).

# Notes to the financial statements

for the year ended 31 March 2017

## 12 Pension scheme (continued)

	2017 £000	2016 £000
<b>Profit and loss impact</b>		
Current service cost	128	201
Expenses	208	209
Interest on obligation	4,465	4,464
Expected return on scheme assets	(4,279)	(4,068)
<b>Total</b>	<b>522</b>	<b>806</b>
<b>Movement in defined benefit obligation</b>		
Opening defined benefit obligation	126,384	133,826
Current service cost	128	201
Expenses	208	209
Interest cost	4,465	4,464
Contributions by employees	23	37
Actuarial loss/(gain)	32,922	(6,801)
Benefits paid	(5,094)	(5,552)
<b>Closing defined benefit obligation</b>	<b>159,036</b>	<b>126,384</b>
<b>Change in fair value of the scheme assets</b>		
Opening value of the scheme assets	119,695	120,830
Expected return	4,279	4,068
Actuarial (loss)/gain	19,183	(2,804)
Contributions by employer	3,411	3,116
Contributions by employees	23	37
Benefits paid	(5,094)	(5,552)
<b>Closing fair value of the scheme assets</b>	<b>141,497</b>	<b>119,695</b>
<b>Actual return on scheme assets</b>	<b>23,462</b>	<b>1,264</b>
<b>Defined benefit costs recognised in other comprehensive income</b>		
Return on plan assets (excluding amounts included in net interest cost)	19,183	(2,804)
Experience gains and losses arising on the plan liabilities	2,033	1,444
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	(34,955)	5,357
<b>Total amount recognised in other comprehensive income</b>	<b>(13,739)</b>	<b>3,997</b>

The Children's Society participates in The Pensions Trust Growth Plan, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK.

A full actuarial valuation of the scheme was carried out as at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

<b>Deficit contributions</b>	£12,945,440 per annum
From 1 April 2016 to 30 September 2025:	(payable monthly and increasing by 3% each on 1st April)
	£54,560 per annum
From 1 April 2016 to 30 September 2028:	(payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities. Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	31 Mar 17 £000	31 Mar 16 £000	31 Mar 15 £000
<b>Present values of provision</b>			
Present value of provision	342	361	329
	<b>Period ended 31 Mar 17 £000</b>	<b>Period ended 31 Mar 16 £000</b>	
<b>Changes in provisions</b>			
Provision at start of period		361	329
Unwinding of the discount factor (interest expense)		7	5
Deficit contribution paid		(37)	(40)
Remeasurements - impact of any change in assumptions		11	(6)
Remeasurements - amendments to the contribution schedule		-	72
<b>Provision at end of period</b>	<b>342</b>	<b>361</b>	
	<b>Period ended 31 Mar 17 £000</b>	<b>Period ended 31 Mar 16 £000</b>	
<b>Profit and loss impact</b>			
Interest expense		7	5
Remeasurements – impact of any change in assumptions		11	(6)
Remeasurements – amendments to the contribution schedule		-	72
	<b>31 Mar 17 % per annum</b>	<b>31 Mar 16 % per annum</b>	<b>31 Mar 15 % per annum</b>
<b>Assumptions</b>			
Discount rate	1.32	2.07	1.74

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

# Notes to the financial statements

for the year ended 31 March 2017

## 13 Tangible fixed assets

	Land and buildings £000	Motor vehicles £000	Equipment £000	Total £000
Group and Society				
<b>Cost or valuation</b>				
At 1 April 2016	22,414	188	3,304	25,906
Additions	389	17	491	897
Revaluations	1,561	-	-	1,561
Disposals	(703)	-	-	(703)
<b>At 31 March 2017</b>	<b>23,661</b>	<b>205</b>	<b>3,795</b>	<b>27,661</b>
<b>Depreciation</b>				
At 1 April 2016	4,222	126	2,135	6,484
Charge for the year	1,020	30	470	1,520
Revaluations	(399)	-	-	(399)
Disposals	(414)	-	-	(414)
<b>At 31 March 2017</b>	<b>4,429</b>	<b>156</b>	<b>2,605</b>	<b>7,190</b>
<b>Net book value</b>				
<b>At 31 March 2017</b>	<b>19,232</b>	<b>49</b>	<b>1,190</b>	<b>20,471</b>
<b>At 31 March 2016</b>	<b>18,192</b>	<b>62</b>	<b>1,169</b>	<b>19,423</b>

The properties occupied by The Children's Society were valued during the year in line with the revaluation policy as set out in Note 1 on the basis of open market value for existing use by The Children's Society's Head of Estates, B. Clitherow BSc MRICS, with the exception of the headquarters and investment properties, which are valued by professional qualified surveyors Montagu Evans.

If these revaluations had not taken place, land and buildings would have been shown at a cost of £15,173,135 (2016: £14,981,133) less accumulated depreciation of £14,178,255 (2016: £13,577,485), net £994,880 (2016: £1,403,648).

Included within land and buildings are investment properties of £6,000,000 (2016: £5,000,000). The remaining properties are deemed operating fixed assets.

	2017 £000	2016 £000
Land and buildings comprise:		
<b>(a) on the basis of tenure:</b>		
Freehold	17,372	15,959
Short leasehold (under 50 years)	1,860	2,233
	<b>19,232</b>	<b>18,192</b>
<b>(b) on the basis of usage:</b>		
Childcare	575	751
Shops	3,471	3,920
Headquarters, other offices and miscellaneous	15,186	13,521
	<b>19,232</b>	<b>18,192</b>

## 14 Investments

	2017 £000	2016 £000
Group and Society		
<b>Classified as fixed assets</b>		
<b>Being at market value</b>		
Listed investments		
United Kingdom unit trusts	12,469	9,716
Overseas unit trusts	12,823	13,379
	<b>25,292</b>	<b>23,095</b>
Unlisted investments at cost	28	28
	<b>25,320</b>	<b>23,123</b>
<b>Being at cost</b>		
Listed investments		
United Kingdom unit trusts	6,332	6,332
Overseas unit trusts	9,515	11,940
	<b>15,847</b>	<b>18,272</b>
Unlisted investments at cost	24	24
	<b>15,871</b>	<b>18,296</b>
<b>Movements during the year</b>		
At 1 April	24,626	24,381
Proceeds of sales	(3,000)	(2,500)
Changes in market value	3,694	(213)
Changes in current assets investments	-	1,455
<b>At 31 March</b>	<b>25,320</b>	<b>23,123</b>
<b>Classified as current assets</b>		
Short-term deposits	-	1,000
Current assets investments	-	1,503
	<b>-</b>	<b>2,503</b>
	2017 %	2016 %
<b>The following investments exceed 5% of the total portfolio</b>		
CF Ruffer Absolute Return Fund	34.3	40.1
BNY Mellon Newton Real Return Fund	16.4	24.3
Veritas Global Focus Fund	49.2	35.6

# Notes to the financial statements

for the year ended 31 March 2017

## 15 Cash and bank

	Group		Society	
	2017 £000	2016 £000	2017 £000	2016 £000
Cash held at Bank and in hand	<b>1,271</b>	-	<b>859</b>	-
	<b>1,271</b>	-	<b>859</b>	-

## 16 Debtors

	Group		Society	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade debtors	<b>831</b>	1,703	<b>220</b>	66
Accrued income	<b>504</b>	943	<b>504</b>	653
Amounts owing by subsidiary undertaking (see note 2)	-	-	<b>123</b>	253
Other debtors	<b>208</b>	226	<b>206</b>	226
Prepayments	<b>628</b>	754	<b>610</b>	735
	<b>2,171</b>	<b>3,626</b>	<b>1,663</b>	<b>1,933</b>

All debts fall due within one year (2016: within one year).

## 17 Creditors - amounts falling due within one year

	Group		Society	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank overdraft	-	687	-	712
Trade creditors	<b>750</b>	1,137	<b>748</b>	1,049
Deferred income	<b>2,506</b>	2,015	<b>1,536</b>	593
Taxation and social security payable	<b>637</b>	562	<b>695</b>	358
Other creditors	<b>295</b>	330	<b>294</b>	328
Accruals	<b>1,546</b>	2,307	<b>1,541</b>	2,305
	<b>5,734</b>	<b>7,038</b>	<b>4,814</b>	<b>5,345</b>

### Deferred income

	Group	
	2017 £000	2016 £000
At 1 April	<b>2,015</b>	2,095
Billed in the year	<b>10,015</b>	10,025
Released to income in the SOFA	<b>(9,524)</b>	(10,105)
<b>At 31 March</b>	<b>2,506</b>	<b>2,015</b>

## 18 Analysis of group funds

	Endowment funds £000	Restricted funds £000	Designated funds £000	General funds £000	Pension reserve £000	Total funds £000
Opening balance at 1 April 2016	9,716	814	14,423	17,537	(7,050)	35,440
Income	2,753	2,181	-	36,680	-	41,614
Expenditure	-	(2,443)	(1,520)	(35,101)	(540)	(39,604)
Other recognised gains and losses	-	-	960	1,000	(13,739)	(11,779)
Transfers between funds	-	-	608	(4,056)	3,448	-
Net movement in funds	2,753	(262)	48	(1,477)	(10,831)	(9,769)
<b>Balance at 31 March 2017</b>	<b>12,469</b>	<b>552</b>	<b>14,471</b>	<b>16,060</b>	<b>(17,881)</b>	<b>25,671</b>

### Represented by:

Fixed assets	-	-	14,471	6,000	-	20,471
Investments	12,469	-	-	12,851	-	25,320
Net current assets	-	552	-	(2,791)	-	(2,239)
Defined benefit pension scheme liability	-	-	-	-	(17,881)	(17,881)
	<b>12,469</b>	<b>552</b>	<b>14,471</b>	<b>16,060</b>	<b>(17,881)</b>	<b>25,671</b>

### Purposes of restricted funds

Big Lottery Fund

These funds are restricted to the Projects listed in Note 8.

Other

A pool of sundry donations given for specific purposes. All donations are applied during the year.

The restricted funds are analysed as follows:

	Big Lottery Fund £000	Other £000	Total funds £000
Opening balance at 1 April 2016	772	42	814
Income	2,159	22	2,181
Expenses	(2,443)	-	(2,443)
<b>Balance at 31 March 2017</b>	<b>488</b>	<b>64</b>	<b>552</b>

### Purpose of designated funds

Fixed Assets: The balance comprises funds set aside for investments in operating fixed assets for use by the Charity.

Movements in the year included depreciation charges, and transfers on purchase and sale of operating fixed assets and net revaluation gains.

## 19 Capital commitments

At 31 March 2017 and 31 March 2016, the Group and Society had no capital commitments that had been authorised but neither contracted for nor provided for in the financial statements. All other capital commitments that had been contracted have been provided for in the financial statements at 31 March 2017 and 31 March 2016.

# Notes to the financial statements

## for the year ended 31 March 2017

### 20 Contingent liabilities

In June 2017, The Children's Society issued an apology to anyone who was abused emotionally, physically and sexually as children whilst in its care or any child whose life was blighted by being migrated to other parts of the world, including any child migrant who suffered at the hand of abusers in their new country. This apology was issued at the same time as the Independent Inquiry into Child Sexual Abuse ("IICSA") is undertaking its investigations into the historical abuse of children in the UK and overseas, including those relating to child migrants. Both of these events may give rise to a financial liability. At the date of the accounts, the Society is not aware of any claims for which provision in the accounts is required.

Where bequests from wills are made there could be claims on an estate by beneficiaries that the executor was not able to find during administration of the estate. In such cases, the other beneficiaries may provide the executor with an indemnity against potential future claims from missing beneficiaries. The Children's Society has provided indemnities of this kind with a value at 31 March 2017 of £176,000 (2016: £176,000). No provision is made in these accounts for such liabilities.

### 21 Financial commitments

	Land and buildings		Office equipment	
	2017 £000	2016 £000	2017 £000	2016 £000
Minimum payments under operating leases for the Group and Society due:				
within one year	1,566	1,571	26	7
between two and five years	2,513	2,711	41	-
in over five years	18	14	-	-
	<b>4,097</b>	<b>4,296</b>	<b>67</b>	<b>7</b>

### 22 Financial Instruments

	Group		Society	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Financial assets measured at fair value through profit and loss</b>				
Financial investments	25,320	23,123	25,320	23,123
<b>Debt instruments measured at amortised cost</b>				
Trade debtors	831	1,703	220	66
Other debtors	208	226	206	226
Amounts due from subsidiaries	-	-	123	253
<b>Financial liabilities measured at amortised cost</b>				
Trade creditors	750	1,137	748	1,049
Accrued expenses	1,546	2,307	1,541	2,305
Other creditors	295	330	294	328

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## 23 Related party transactions

The Trustees confirm that there have been no related party transactions during the year which require disclosure under FRS 102. Information on Trustees' expenses is set out in Note 11.

The total amount of Trustee donations made, without conditions, was 22,858 (2016: £63,254).

The Children's Society, Age UK and The Alzheimers Society have joined parts of their IT resources to provide a shared IT service to the three charities. The service is provided through a separate company, CharITyshare Limited. This joint service has the form but not the substance of a joint venture. The Children's Society accounts directly for its share of the assets, liabilities and cash flows according to the shared services agreement.

Transactions and balances with the Society's two subsidiary companies (see note 2)

	Trading £000	Services £000
2017		
<b>Balance sheet amounts</b>		
Amounts due to the parent undertaking	285	-
Amounts due from the parent undertaking	-	149
<b>Income</b>		
Donations from the parent company	-	-
<b>Expenditure</b>		
Charitable donations paid	79	865
2016		
<b>Balance sheet amounts</b>		
Amounts due to the parent undertaking	-	333
Amounts due from the parent undertaking	80	-
<b>Income</b>		
Donations from the parent company	-	-
<b>Expenditure</b>		
Charitable donations paid	183	1,996

# Notes to the financial statements

for the year ended 31 March 2017

## 24. Consolidated statement of financial activities with prior year comparatives

	Note	Unrestricted funds 2017 £000	Endowment & Restricted funds 2017 £000	Total funds 2017 £000	Unrestricted funds 2016 £000	Endowment & Restricted funds 2016 £000	Total funds 2016 £000
<b>Income and endowments from generated funds</b>							
Total income from donations and legacies	3	18,429	2,181	<b>20,610</b>	20,121	2,987	23,108
Less: Expenditure on raising funds	9	(5,053)	-	<b>(5,053)</b>	(6,400)	-	(6,400)
<b>Net income from donations and legacies</b>		<b>13,376</b>	<b>2,181</b>	<b>15,557</b>	<b>13,721</b>	<b>2,987</b>	<b>16,708</b>
<b>Other trading activities</b>							
Total income	4	9,913	-	<b>9,913</b>	9,195	-	9,195
Less: Cost of trading activities	9	(8,794)	-	<b>(8,794)</b>	(7,679)	-	(7,679)
<b>Net income from trading activities</b>		<b>1,119</b>	<b>-</b>	<b>1,119</b>	<b>1,516</b>	<b>-</b>	<b>1,516</b>
<b>Income from charitable activities</b>	<b>5</b>	<b>7,051</b>	<b>-</b>	<b>7,051</b>	<b>10,609</b>	<b>-</b>	<b>10,609</b>
<b>Total net income from primary activities</b>		<b>21,546</b>	<b>2,181</b>	<b>23,727</b>	<b>25,846</b>	<b>2,987</b>	<b>28,833</b>
<b>Other income</b>							
Income from investments	6	236	-	<b>236</b>	369	1	370
(Loss)/gain on revaluations and disposals of investment assets	14	941	2,753	<b>3,694</b>	(657)	444	(213)
Other income	7	110	-	<b>110</b>	760	-	760
<b>Net income from investment and other sources</b>		<b>1,287</b>	<b>2,753</b>	<b>4,040</b>	<b>472</b>	<b>445</b>	<b>917</b>
<b>Net income available for charitable activities</b>		<b>22,833</b>	<b>4,934</b>	<b>27,767</b>	<b>26,318</b>	<b>3,432</b>	<b>29,750</b>
<b>Expenditure on Charitable activities</b>							
Charitable activities							
▪ Childcare and protection	9	(17,975)	(2,443)	<b>(20,418)</b>	(20,225)	(2,957)	(23,182)
▪ Campaigning	9	(4,130)	-	<b>(4,130)</b>	(3,807)	-	(3,807)
▪ Policy and research	9	(1,023)	-	<b>(1,023)</b>	(1,214)	-	(1,214)
Net interest cost on defined benefit pension scheme	9	(186)	-	<b>(186)</b>	(396)	-	(396)
<b>Total expenditure on charitable activities</b>		<b>(23,314)</b>	<b>(2,443)</b>	<b>(25,757)</b>	<b>(25,642)</b>	<b>(2,957)</b>	<b>(28,599)</b>
<b>Net income before transfers</b>		<b>(481)</b>	<b>2,491</b>	<b>2,010</b>	<b>676</b>	<b>475</b>	<b>1,151</b>
<b>Transfers</b>							
Gross transfers between funds	18	-	-	-	-	-	-
<b>Net income</b>		<b>(481)</b>	<b>2,491</b>	<b>2,010</b>	<b>676</b>	<b>475</b>	<b>1,151</b>
<b>Other recognised gains and losses</b>							
Gain on revaluations of fixed assets	13	1,960	-	<b>1,960</b>	3,362	-	3,362
Actuarial gains/(losses) on defined benefit pension scheme	12	(13,739)	-	<b>(13,739)</b>	3,997	-	3,997
<b>Total other recognised losses and gains</b>		<b>(11,779)</b>	<b>-</b>	<b>(11,779)</b>	<b>7,359</b>	<b>-</b>	<b>7,359</b>
<b>Net movement in funds</b>	<b>18</b>	<b>(12,260)</b>	<b>2,491</b>	<b>(9,769)</b>	<b>8,035</b>	<b>475</b>	<b>8,510</b>
Fund balances at 1 April	18	24,910	10,530	<b>35,440</b>	16,875	10,055	26,930
<b>Fund balances at 31 March 2017</b>	<b>18</b>	<b>12,650</b>	<b>13,021</b>	<b>25,671</b>	<b>24,910</b>	<b>10,530</b>	<b>35,440</b>

All the activities of the Group and Society are continuing. There are no other recognised gains and losses.



# Corporate information

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## **The Church of England Children's Society**

(A company limited by guarantee). Also known as The Children's Society.

### **Registered Office**

Edward Rudolf House  
Margery Street  
London WC1X 0JL

Company Registration No. 40004  
Charity Registration No. 221124

Telephone 020 7841 4400  
Website [childrenssociety.org.uk](http://childrenssociety.org.uk)

### **Subsidiary companies:**

The Children's Society (Services) Limited,  
Company No. 4545124  
The Children's Society (Trading) Limited,  
Company No. 885496

The Children's Society is not a grant making body

### **Royal President**

HRH The Duchess of Gloucester GCVO

### **Presidents**

The Most Reverend and Right Hon the Lord  
Archbishop of Canterbury Justin Welby  
The Most Reverend and Right Hon the Lord  
Archbishop of York Dr John Sentamu

### **Vice-Presidents**

Bishops of the Church of England

### **Honorary Vice-Presidents**

Mr S E D Fortescue BA FSA Mrs A Lush MBE  
Mr D J Lush MBE  
Dr N de M Rudolf MA BM BCh FRSM

### **Trustee Board**

Janet Legrand, Chair (b)(c) *from September 2016*  
The Rt Rev'd Tim Thornton,  
Bishop of Truro, Chair *retired September 2016*  
The Rt Rev'd Elizabeth Lane, Bishop of Stockport,  
Vice-chair (c) *from September 2016*  
Christopher Gillies, Honorary Treasurer (a)(b)  
Adrian Bagg (b)  
Cindy Rampersaud (a)(c)  
Claudia Webbe (a) *retired September 2016*  
Dianne Smith (a)  
Jessica Lee (a)  
Jim Clifford (b) *appointed September 2016*  
Ken Caldwell (c)  
Martin Woodroffe (b)(c)  
Nasima Patel (a) *appointed September 2016*  
Wesley Cuell (a)

(a) member of the Risk, Audit and Compliance Committee

(b) member of the Finance and Investment Committee

(c) member of the Organisational Development Committee

### **Children and Young People Representatives**

Ellie Callaghan  
Saffron Cummings  
Luke Sharp  
Imogen Willis  
Robert Honey  
Aya Hachem  
Ryan Richards

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### **Members of Committees**

David Ramsden (b) *from September 2016*  
Jayanti Durai (a)  
John Sealy (b) *retired September 2016*  
Peter Tompkins (b)  
Robert Weir (b)

### **Chief Executive**

Matthew Reed

### **Company Secretary, Finance and Corporate Services Director**

Elizabeth Walker

### **Interim Director of Children and Families**

Krutika Pau (appointed 3 January 2017)

### **Supporter Impact and Income Director**

Joe Jenkins

### **External Affairs Director**

Peter Grigg

### **Marketing, Communications and Digital Director**

Jayne Whitton

### **Chief Operating Officer**

Val Floy (resigned 20 January 2017)

### **Auditors**

KPMG  
15 Canada Square  
London E14 5GL

### **Bankers**

Barclays plc  
1 Churchill Place  
London E14 5HP

### **Principal Solicitor**

RadcliffesLeBrasseur  
85 Fleet Street  
London EC4Y 1AE

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# Thank you

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## **Special thanks to our corporate partners:**

Bella Italia  
Coinstar Ltd  
Experian plc  
HSBC Bank plc  
Giveacar Ltd  
Northern Gas Networks  
Northern Powergrid  
ShareGift  
Swinton Group

## **Special thanks to our funders:**

The AIM Foundation  
The Alice Ellen Cooper Dean Charitable Foundation  
The Ballinger Charitable Trust  
Big Lottery Fund  
The Bromley Trust  
The Bryan Guinness Charitable Trust  
BBC Children in Need  
Comic Relief  
The Henley Festival Trust  
The J.C. Flowers Foundation  
Sir James Knott Trust  
Mission in Britain Fund  
The Robert Fleming Hannay Memorial Charity  
The Samworth Foundation  
Stanley Thomas Johnson Foundation  
The 29th May 1961 Charitable Trust  
Ofenheim Charitable Trust  
Wellcome Trust  
West Ham Home and Hostel Trust  
The Zochonis Charitable Trust

Thank you to everyone who has campaigned for us, made donations to our shops, volunteered their valuable time and skills, and supported us financially. Because of your generosity we've been able to change the lives of thousands of children and young people, and continue working towards a country where all children are free from disadvantage. A special thank you to all the young people it is our privilege to work both with and for. Their stories of courage and tenacity continue to inspire us all, and drive everything we do.



**It is a painful fact that many children and young people in Britain today are still suffering extreme hardship, abuse and neglect. Too often their problems are ignored and their voices unheard. Now it is time to listen and to act.**

The Children's Society is a national charity that runs local services, helping children and young people when they are at their most vulnerable, and have nowhere left to turn.

We also campaign for changes to laws affecting children and young people, to stop the mistakes of the past being repeated in the future.

Our supporters around the country fund our services and join our campaigns to show children and young people they are on their side.

Find out more at  
**[childrenssociety.org.uk](https://childrenssociety.org.uk)**

If you would like to know more about The Children's Society and our work with children and young people, please visit [childrenssociety.org.uk](https://childrenssociety.org.uk) or call our Supporter Care Team on 0300 303 7000.