

# Annual review & financial statements

Year ended 31 March 2007



National Association for Voluntary and Community Action

# Annual review & financial statements

Year ended 31 March 2007

Company Number: 2575206

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## **Legal and administrative details**

### **Legal status**

NATIONAL ASSOCIATION FOR VOLUNTARY AND COMMUNITY ACTION (“NAVCA”) is a charity (No. 1001635) and a company limited by guarantee (No. 2575206).

### **Directors and trustees**

The directors of the charitable company (“the charity”) are its trustees for the purpose of charity law and throughout the report are collectively referred to as the trustees.

The trustees of the charity during the year were as follows:-

Mike Martin  
*Chair appointed September 2006*

Mike Eastwood  
*Chair retired September 2006*

Barbara Parkinson  
*Vice Chair*

Caroline Schwaller  
*Vice Chair*

Mark Davies  
*Treasurer*

Sharon Clancy

Ray Collett

Bernard Collier  
*Appointed September 2006*

Sajid Hashmi

Julie Hawkins  
*Co-option until September 2006*

Chris Houston  
*Retired September 2006*

Steve Phaure  
*Appointed September 2006*

Nesar Rafiq

Caroline Shaw

Stuart Smith  
*Retired September 2006*

Nero Ughwujabo  
*Co-option until September 2007*

Nick Warren

Duncan Wood  
*Co-option until September 2007*

Sarah Wood  
*Appointed September 2006*

Since NAVCA is a company limited by guarantee, it does not have any paid up share capital.

**Chief Executive**

K Curley

**Company Secretary**

I Hartland

**Principal and Registered Office**

The Tower  
2 Furnival Square  
Sheffield  
S1 4QL

**Auditors**

Barber Harrison & Platt  
2 Rutland Park  
Sheffield  
S10 2PD

**Bankers**

Unity Trust Bank plc  
Nine Brindleyplace  
4 Oozells Square  
Birmingham  
B1 2HB

## **Trustees' report**

The trustees, who are also directors for the purposes of company law, are pleased to present their report together with the financial statements of the charity for the year ended 31 March 2007.

The legal and administrative information set out on pages 1 and 2 forms part of this report. The financial statements comply with current statutory requirements and the Statement of Recommended Practice – Accounting and Reporting by Charities issued in March 2006.

### **Structure, governance and management**

#### **Governing document**

NAVCA is a charitable company limited by guarantee, incorporated on 21 January 1991 and registered as a charity on 24 January 1991. The company is governed by its Memorandum and Articles of Association which were last amended on 14 June 2007. In the event of the company being wound up, members are required to contribute an amount not exceeding £5.

#### **Appointment of trustees**

The trustees who have served during the year and since the year end are set out on page 1. The trustees are elected annually by the members of the charity attending the Annual General Meeting and serve for an initial period of three years. A further three-year term may be served. Trustees must be nominated by member organisations. Up to two trustees may also be co-opted onto the Trustee Board. The trustees meet five times a year.

#### **Trustee induction and training**

NAVCA provides an induction day for all new trustees. We also supply them with a handbook with wide-ranging contents.

Trustees are encouraged to attend appropriate training courses and conferences. NAVCA has a specific budget for this purpose. As part of the forward planning process trustees and staff meet together for an away day each year.

Under the leadership of one of the Vice Chairs, the Trustee Board undertook a comprehensive assessment of its learning and development needs.

### **Internal control and risk management**

The trustees examined the major risks which the charity faces in relation to external factors and relationships, its governance and management, its internal operations and its business. The management of risk is reviewed by the staff management team and by the Trustee Board.

The trustees continue to keep under review their systems of internal financial control. The systems have been designed to provide reasonable, but not absolute, assurance against material mis-statement or loss. They include:

- a strategic plan and an annual budget approved by the trustees
- regular consideration by the trustees of financial results, variance from budgets and performance against the non-financial annual plan
- delegation of authority and separation of duties.

The internal financial controls conform with guidelines issued by the Charity Commission.

### **Objectives and activities**

The principal activity of the charity is to establish, support and represent local voluntary and community sector infrastructure organisations in England. At the end of the financial year we had 286 full members, 68 associates and local affiliates and 26 national affiliates.

During the year our work has been guided by four key strategic outcomes, so that by 2011:

- Government policies and practice at all levels will more accurately reflect the needs of local communities as a result of influence exerted through the voice of local voluntary and community organisations.
- Local infrastructure organisations (LIOs) will have strong governance and management and will be providing inclusive services that enable voluntary and community organisations to meet the needs of the communities they represent.
- Communities supported by local infrastructure organisations will be active, engaged, strong and connected and able to identify and address their own needs.
- NAVCA will have the resources it needs to achieve its strategic outcomes.

## **Achievements and performance**

### **Influencing government policy and practice**

NAVCA has broadened its sphere of strategic influence, arranging meetings with a greater range of politicians and opinion formers. We bring the authentic voice of the local voluntary and community sector (VCS) to all our representational work at national level, which covers a wide range of government departments and agencies.

#### **Infrastructure National Partnership**

NAVCA has been active on the Infrastructure National Partnership, helping to shape responses to consultative documents from Capacitybuilders, and we have also held discussions with Capacitybuilders to set out our priorities for infrastructure consortia and national services. We are seeking support from Capacitybuilders for our work to improve the performance of LIOs through our Performance Standards and the NAVCA Quality Award. Our ambition is that the VCS in every part of the country should have access to high quality infrastructure services owned by, and accountable to, local voluntary organisations and community groups.

#### **Comprehensive Spending Review**

We have chaired three meetings on the Comprehensive Spending Review (CSR), submitted a response to the CSR consultation and met with ministers to raise issues covered in the submission. We have worked closely with the Office of the Third Sector (which took over responsibilities for the sector from the Home Office), responding to requests for our advice and opinions and raising a wide variety of issues of concern to our members and the communities and organisations they represent. NAVCA's prime motivation as national voice is to promote greater understanding of the local VCS at the highest level.

Jointly with Community Foundation Network we have called for a government investment through the CSR to enable the endowment funds of community foundations to grow more quickly. These endowments funds will become a vitally important source of grants for the local VCS in the future. Again with Community Foundation Network, we have welcomed the Government's decision to use unclaimed assets to fund the local youth VCS and organisations tackling financial exclusion. NAVCA members and community foundations will work closely together with the Big Lottery Fund to ensure that these new grant funds are used effectively.

#### **Commissioning and funding**

NAVCA's Chief Executive has served on the Treasury's Third Sector Review Advisory Group, bringing local VCS experience into national discussions about the future role of the

VCS in social and economic regeneration. The inclusion of a new £80m Small Grants Fund in the April 2007 Budget came straight out of the Treasury Review, and both the Minister for the Third Sector and the Chancellor recognised the need to compensate the VCS for the loss of so many ring-fenced grant funds.

NAVCA is a member of the Office of the Third Sector Public Services Action Plan Project Board. Our priority is to ensure that commissioning arrangements encourage collaboration between charities rather than competition and promote a healthy local sector.

Together with nine other leading voluntary sector agencies, NAVCA has produced *Sustaining Grants* which campaigns for the retention of grants as part of the local funding mix. With support from the Finance Hub, we have also produced *Why grants are important for a healthy local VCS* which outlines four case studies illustrating good local authority funding practice. Together these publications will enable local infrastructure organisations to influence local funding practice. NAVCA has also taken the need for a mix of funding types to national level to make the case for a healthy and vibrant local VCS, able to make its full contribution to local life.

NAVCA has raised issues and concerns about BASIS and Reaching Communities with the Big Lottery Fund (BIG), particularly ensuring that there was a process for dealing with urgent cases where the delays to the BASIS application process could have had serious consequences for organisations. Together with NCVO, we successfully campaigned for BIG money not to be diverted from the VCS to the Olympics. We are arguing for more money to be available from the Reaching Communities Fund which we regard as a vital source of grants for the local voluntary and community sector.

We have spread the word nationally about good practice from regional development agencies that have funded local infrastructure. We have pressed the case for a holistic approach to regeneration rather than a narrow focus on economic targets which do not improve the lives of people who are excluded.

We have surveyed our members on the funding for local infrastructure organisations and will feed in the results to government and other stakeholders.

### **The Compact**

NAVCA has met with the Compact Commissioner and continued to take a lead in the work of Compact Voice. We have pressed the Commissioner to take a robust line with those local public bodies that commit serious breaches of the Compact and have argued that sustained funding for local infrastructure organisations is vital if the Compact is to work well locally. We formally objected to the award of a Charter Mark to Three Rivers District

Council. This council has never funded its CVS and was one of the last in England to start work on a local Compact.

We have also worked closely with NCVO's Compact Advocacy Programme to bring to the attention of the Department of Work and Pensions problems in Jobcentre Plus commissioning arrangements, in particular the detrimental impact that the prime contractor model has had on local providers.

### **The Charity Commission**

NAVCA has worked with the Charity Commission on consultation events and in developing protocols and guidance on reporting requirements for small- and medium-sized charities and public service delivery by charities.

### **Children and young people**

NAVCA has sought to influence the work of VCS Engage to ensure that the local VCS is properly engaged in delivery of children's services. Our Improving Local Partnerships project has produced *Frontline Hopscotch*, a report on the findings of a NAVCA survey of members and other local VCS organisations, which highlighted many of the challenges facing local partners. We are using the findings to make the case for a more coherent approach to local services that balances the requirement for efficiency with the need for a healthy local VCS able to play its part in service delivery.

### **Health**

NAVCA has supported members and advised the Department of Health on the development of local involvement networks (LINKs), arguing that NAVCA members are crucial to the development of this initiative which will replace Patients' Forums. We have also worked with the Department of Health on social enterprise and commissioning, and have encouraged members to share experiences on these issues with the department. NAVCA is one of only two VCS advisors to a strategic review of the department's funding to the third sector.

### **Local partnerships, local government and local area agreements**

NAVCA was a member of the steering group on the Third Sector Strategy for Communities and Local Government. The strategy has now been published and fully recognises the important contribution of the local VCS.

NAVCA is the sole VCS representative on the Local Performance and Delivery Programme Board – a cross-government body charged with overseeing implementation of the key areas in the Local Government White Paper, in particular local area agreements (LAAs). We also chair the body that is developing a set of principles for VCS representation on local strategic partnerships. We want to see the new arrangements for

local government and its statutory partners bring about a sea change in the relationship between the local state and the local VCS, where a vibrant local sector is supported and valued by local public bodies.

We helped the National Audit Office (NAO) with its report on the impact of LAAs on the level of VCS public service delivery. The experience of our members provided the NAO with a telling picture of the current state of play and we will continue to seek opportunities to bring our members' knowledge to bear on the debate about public policy.

NAVCA's Improving Local Partnerships project has undertaken four pilots to help our members involve a wider range of disadvantaged groups in local governance. The pilots, which include Middlesbrough, Derbyshire and Waltham Forest, are revealing differing and interesting challenges. We have also developed the Local Partnerships InfoBank, an online resource to support organisations in developing partnerships, and published *Skilling up for LSPs* which describes the competencies needed by VCS representatives on local strategic partnerships and other local partnership bodies.

### **Work with other organisations**

The Community Sector Coalition brings together 20 national VCS organisations with a shared commitment to supporting community groups. NAVCA is a leading member. We define community groups as those which serve both communities of interest and communities of place or neighbourhoods. The coalition has pressed Government for grants to support community groups and resources to enable more assets to be transferred from local government to communities. Recent months have seen good progress with both campaigns. NAVCA also persuaded the Department for Communities and Local Government to include a commitment to local grants in the Local Government White Paper and the Cabinet Office to include a similar commitment in the Public Services Action Plan.

We have continued our formal collaborative agreements with both NCVO and Volunteering England. As a result, we have worked closely with NCVO on the charity pensions debt problem, dialogue with local government leaders, the development of the Third Sector Alliance and the campaign to save BIG money from the Olympics raid. With Volunteering England we have asserted that the structure of quality volunteer centres in any area of England is a matter for local decision not central determination.

### **Press**

NAVCA has ensured that issues affecting local VCS organisations are regularly raised in the sector press. We do this by submitting relevant stories, reacting to developing agendas and cultivating relevant contacts. This ensures that the voice of the local sector is brought to the attention of relevant opinion formers and partner organisations.

### **Learning and skills**

NAVCA has worked closely with the Learning and Skills Council (LSC) to raise issues of concern to the sector in relation to learning and training. We were successful in securing a place on the LSC's national VCS advisory group, which began work during 2007.

### **Environmental sustainability**

NAVCA is taking part in 'Every Action Counts' (EAC), a programme to engage organisations in improving the environment and sustainable development work. We have promoted resources, encouraged organisations to register with the project, sought EAC Community Champions and contributed to a good practice guide. We have also produced, and are implementing, our own sustainable development action plan.

## **Ensuring local infrastructure organisations have strong governance and management, and provide inclusive services**

### **Supporting staff and managers**

NAVCA has supported local infrastructure organisations undergoing a period of crisis. We have established a peer support scheme for chief officers in order to share skills and experience across the network. We continue to provide induction courses for new chief officers of LIOs so that they have the skills required to lead VCS discussions with local partners.

We continue to support a wide range of email networks which provide members with a practical tool for sharing information and obtaining support from colleagues. We have set up two new email networks in response to demand from members: one for chairs of LIOs and a second for workers involved in local health and social care partnerships.

In partnership with the ICT Hub, NAVCA has developed active networks of ICT support organisations in each region. We have run a very successful exchange visits programme, where organisations offering ICT support learn from each other's experience and models of delivery. Working with LASA, we have established and promoted an England-wide ICT suppliers' directory, enabling VCS organisations to access appropriate local support.

The Action Learning Matters project has launched its online national resource, and delivers a range of products and services including a resource pack, facilitator training programmes and taster workshops. It also continues to support the provision of action learning sets for trustees, third sector leaders and development workers.

NAVCA's SKILD project has delivered a very popular learning programme for development workers, developed a competencies framework to enable individual workers

to build their skills and launched a set of practical tools for development workers. The project is now beginning an expanded programme for 2007/08.

The Performance Hub worker based at NAVCA has developed an active network for those who support the local VCS to improve their performance. There are currently over 630 members of the Supporting Performance e-community. Members use the e-community to discuss different performance topics and share evaluation reports and case studies around the support they offer their members. A visits programme was also supported. This provided participants with an invaluable opportunity to learn from others.

We also coordinated the successful 'Kit Yourself Out' event in Peterborough and two satellite meetings in the north east and south west which were attended by over 200 development workers in total. This event enabled attendees to test out and learn about a wide variety of resources or 'toolkits' that they can use with the groups they support.

### **Supporting organisations**

We have expanded Trainers and Consultants Direct, our free online resource for voluntary and community organisations wanting to employ the services of trainers and/or consultants who specialise in VCS issues.

We have developed a list of approved procurement advisors, supported members that are going through competitive tendering processes and gained first-stage approval for a BASIS bid to increase our work on commissioning and procurement. We have run two successful commissioning and procurement events in partnership with Futurebuilders.

Using leaflets and our website, we have furthered understanding and promoted the role of local infrastructure organisations.

NAVCA has established a partnership with Sport England to develop links between local VCS and sports infrastructures. This will result in sports partners and LIOs working together to maximise opportunities for marginalised groups and those facing social exclusion to participate in sport at a local level, as well as assisting in delivery of local area agreements.

We published a study of the merger of all the CVS in Cumbria and have advised a growing number of NAVCA members on merger and other structures for improving local effectiveness and efficiency.

In collaboration with acevo, NAVCA has delivered a successful training programme on full cost recovery. More than 300 local development workers have been able to learn the costing principles which can be the basis of successful contract negotiations with funders.

NAVCA has worked with CES and NCVO to develop the latest phase of the popular National Outcomes Programme, so that the local VCS is in a stronger position to demonstrate its impact.

Empowering the Voluntary Sector, NAVCA's joint project with the Public Law Project, has delivered a very well received training programme and a quarterly newsletter that have enabled organisations to influence relationships and funding decisions on the ground.

NAVCA has awarded the first seven NAVCA Quality Awards. Forty-three organisations are now signed up and working towards the award. The rigorous assessment produces outcomes-based evidence that organisations are delivering quality services to the local voluntary and community sector.

In partnership with Sheffield Hallam University and working on behalf of the Big Lottery Fund, NAVCA researched the characteristics of effective local infrastructure organisations. The results of the Building Effective Local VCS Infrastructure (BELVI) project were published and promoted to funders, supporters and deliverers of local infrastructure in order to stimulate debate and create an improved operating environment.

NAVCA has been an active partner in the Every Action Counts programme. Our aim is to embed sustainable development principles in VCS organisations and communities. Many of our members are following NAVCA's lead and implementing local sustainable development action plans.

### **Active, engaged, strong and connected communities**

NAVCA consistently emphasises to all stakeholders that members undertake support and development work with neighbourhood groups. We have sustained a high profile role within the Community Sector Coalition.

NAVCA has also promoted the Local Community Sector Taskforce Report which contains a number of proposals for increased support for LIOs' work with community organisations and proposes changes to the regional development agencies' tasking framework, which should benefit local groups. We have been seeking some early progress on the non-financial proposals.

We have raised issues relating to changes to the Neighbourhood Renewal Fund and funding arrangements for community empowerment networks with relevant government departments and in our submission to the Comprehensive Spending Review.

## Financial review

It is pleasing to report that NAVCA generated a small surplus of £1,818 on its unrestricted funds despite facing some difficult conditions. NAVCA recorded an overall deficit of £116,728, with the deficit on the restricted funding being £118,546.

During the year NAVCA faced some difficult financial decisions. An action plan was developed and implemented, the result of which is the small unrestricted surplus. The actions taken by NAVCA were short-term measures but they provided time in which a longer-term response to the situation could be developed and put in place.

Last year the board designated £95,000 for NAVCA to move into new leased premises; this was completed in February 2007 at a total cost of £68,391 of which £51,780 was capital. The unspent balance of the designated fund has been released back into free reserves.

As the funding streams into NAVCA have grown in complexity so has the corresponding VAT position and after a thorough review a potential VAT liability of £25,000 was identified and has been provided for in the accounts.

Total unrestricted expenditure increased by 12.75% compared to an increase in unrestricted income of 13%. The increase in unrestricted expenditure was 7.4% after taking out the premises costs and the VAT provision.

Unrestricted reserves are back to their 2005 level – £339,532 – and free reserves have increased by £64,153 and now stand at £236,141.

### Reserves policy

It is the policy of the trustees to maintain the 'free reserves' (unrestricted funds not committed or invested in tangible fixed assets) at a minimum level which equates to approximately three months' unrestricted expenditure. Three months' unrestricted expenditure is anticipated to be about £252,000 in 2007/08. At this minimum level of reserves the trustees feel that they would be able to continue the current activities of the charity in the event of a significant drop in funding. In those circumstances the trustees would, of course, have to consider how the funding could be replaced or activities changed. Following the designation of funds, 'free' reserves at the year end were £236,141.

### **Investment powers and policy**

Under its memorandum and articles of association, the charity has the power to make any investment which the trustees see fit. At present, surplus funds are invested in interest bearing bank accounts and funds are moved between accounts so as to maximise the interest earned. Bank interest receivable during the year amounted to £36,735.

During the year trustees examined the use of alternative forms of investment. They decided to retain funds in suitable bank accounts until the OTS's plans for funding national infrastructure organisations become clearer.

## **Trustees' responsibilities in relation to the financial statements**

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity at the end of the financial year and of its incoming resources and application of resources, including income and expenditure for the financial year. In doing so the trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

In accordance with company law, as the company's directors, we certify that:

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

## Auditors

The auditors, Barber Harrison & Platt, were re-appointed as the charity's auditors during the year and have expressed their willingness to continue in office, subject to the approval of members in general meeting.

The report of the directors has been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities issued in March 2006, and with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the board

A handwritten signature in cursive script that reads "Mike Martin".

M Martin  
Chair

## **Independent auditor's report for the year ended 31 March 2007**

To the members of NATIONAL ASSOCIATION FOR VOLUNTARY AND COMMUNITY ACTION

We have audited the financial statements on pages 17 to 36 which have been prepared under the historical cost convention and the accounting policies set out on pages 19 to 21.

This report is made solely to the Charitable Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Trustees and Auditors**

The trustees' responsibilities for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page 13. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the Charitable Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the Charitable Company is not disclosed.

We read other information contained in the trustees' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It

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also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charitable Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the Charitable Company's affairs as at 31 March 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the trustees' report is consistent with the financial statements.

*Barber Harrison + Platt*

### **Barber Harrison & Platt**

Chartered Accountants  
& Registered Auditors

*16 August 2007*

## Statement of financial activities (incorporating an income and expenditure account)

Year ended 31 March 2007

	Note	Unrestricted Funds	Restricted Funds (Note 17)	Endowment (Note 18)	2007 Total	2006 Total
		£	£	£	£	£
<b>Incoming resources</b>						
<b>Incoming resources from generated funds</b>						
- Voluntary income	4	431,184	-	-	431,184	471,390
- Investment income		36,735	-	-	36,735	24,320
<b>Incoming resources from charitable activities</b>						
	4	427,137	841,379	-	1,268,516	780,583
<b>Total incoming resources</b>	3(a)	895,056	841,379	-	1,736,435	1,276,293
<b>Resources expended</b>						
<b>Cost of generating funds</b>						
- Costs of generating voluntary income		23,632	-	-	23,632	18,039
<b>Charitable activities</b>						
<b>Governance costs</b>	5	55,096	-	-	55,096	44,902
<b>Total resources expended</b>	3(b)	893,238	959,925	-	1,853,163	1,064,643
<b>Net income/(expenditure) for the year</b>		1,818	(118,546)	-	(116,728)	211,650
<b>Reconciliation of funds</b>						
<b>Funds as at 1.4.06</b>		337,714	336,145	4,588	678,447	466,797
<b>Funds as at 31.3.07</b>	18	339,532	217,599	4,588	561,719	678,447

The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing activities.

## Balance sheet as at 31 March 2007

	Note	<u>2007</u>		<u>2006</u>
		£	£	£
<b>Fixed assets</b>				
Tangible assets	11		<b>85,982</b>	46,698
<b>Current assets</b>				
Stock		-		50
Debtors	12	<b>160,217</b>		112,435
Cash at bank and in hand		<b>676,519</b>		680,712
			<u>836,736</u>	<u>793,197</u>
<b>Creditors: Amounts falling due within one year</b>	13	<b>360,999</b>		161,448
<b>Net current assets</b>			<u><b>475,737</b></u>	<u>631,749</u>
<b>Net assets</b>			<u><b>561,719</b></u>	<u>678,447</u>
<b>Accumulated funds</b>				
<b>Unrestricted</b> - General		<b>236,141</b>		171,988
- Designated	15	<b>103,391</b>		165,726
			<u><b>339,532</b></u>	<u>337,714</u>
<b>Restricted</b>	16	<b>217,599</b>		336,145
<b>Endowment</b>	17	<b>4,588</b>		4,588
	18		<u><b>561,719</b></u>	<u>678,447</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements on pages 17 to 36 were approved by the Trustee Board on 25 July 2007 and are signed on its behalf by:

*Mike Martin*

**Mike Martin – Chair and Director**

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# Notes to the accounts

## Year ended 31 March 2007

### 1. Accounting policies

#### a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable accounting standards and the Companies Act 1985.

The company has taken advantage of the exemption from preparing a cashflow statement conferred by Financial Reporting Standard No 1 on the grounds that it is entitled to the exemptions as a small entity.

#### b) Separate funds

Incoming and outgoing resources are split between restricted funds, designated funds and other unrestricted funds. Closing funds are categorised in the same way.

##### (i) Restricted funds

These are funds subject to specific trusts which may have been declared by the funders or with their authority (e.g. in a public appeal), but still within the objects of NAVCA. They may be restricted income funds which are expendable at the discretion of the trustees in furtherance of a particular project or objective of NAVCA. Alternatively they may be capital funds where the funds are required to be invested in fixed assets for charity use or in investment assets which are called Endowment Funds. The restricted funds of the charity are detailed in note 16.

##### (ii) Designated funds

These are unrestricted funds which have been designated by the trustees for a particular purpose or project which they have decided to undertake, see note 15.

##### (iii) Unrestricted funds

These are expendable at the discretion of the trustees in the furtherance of the objects of NAVCA.

#### c) Grants receivable

Grants receivable are recognised in the Statement of Financial Activities when the conditions for receipt have been complied with. Grants receivable in respect

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of certain activities are paid in relation to a given period such as a year and in these circumstances the grants are deferred to the extent that they relate to future accounting periods.

Grants received for specific projects are accounted for as restricted funds.

Grants which are provided as core funding, and are of a general nature, are included within 'Voluntary Income'.

Those grants which have conditions attached, and for example are provided to deliver a service and therefore are similar in economic terms to trading income, are included within 'Income from charitable activities'.

d) **Incoming resources from charitable activities**

Income from charitable activities is included in the year in which the charity is entitled to receipt and the amount can be measured with reasonable certainty.

e) **Investment income**

Bank interest is included when receivable by the charity.

f) **Endowment fund income**

The income from the Sir John Wrigley Bequest is included within restricted income when it becomes receivable. Details of the restriction are included in note 17.

g) **Resources expended**

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be recovered, and it is reported as part of the expenditure to which it relates.

Expenditure that is directly attributable to specific activities has been included in those cost categories. Other costs, which are attributable to more than one activity, are apportioned across cost categories on the basis of an estimate of the proportion of staff time spent on those activities.

- **Cost of generating funds**

This includes the costs of promotional items together with an allocation of other costs in respect of costs incurred to generate voluntary income.

The following have also been allocated to the cost of generating funds:

Staff costs – 2.1%

Overheads excluding trustee board costs and fees and charges – 2.3%

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- **Charitable activities**

These are the direct and indirect costs of NAVCA's work to meet its charitable objectives. They include the costs of specific projects as well as the cost of core services.

All staff costs and overheads not allocated to the cost of generating funds or governance costs have been allocated to charitable activities.

- **Governance costs**

This includes the direct and indirect costs relating to external audit and to the constitutional and statutory requirements for managing the organisation.

h) **Tangible fixed assets**

Tangible fixed assets are included at original cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of fixed assets over their expected useful lives at the following annual rates:

Leasehold land and buildings	-	14 years straight line
IT equipment	-	3 years straight line
Office furniture and fittings	-	5 years straight line

Only expenditure on fixed assets exceeding £1,000 per item is capitalised.

i) **Operating leases**

Rentals payable under operating leases are charged to the 'Statement of financial activities' as incurred over the term of the lease.

j) **Pension costs**

The charity has both a group personal pension plan and also contributes to employees' personal pension plans. Contributions are charged to the 'Statement of financial activities' as they become payable.

## 2. **Legal status**

The charity is a company limited by guarantee and has no share capital.

<b>3(a) Incoming resources by activity</b>	<b><u>Unrestricted</u></b>	<b><u>Restricted</u></b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b><u>Total</u></b>	<b><u>Total</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Voluntary income</b>				
Core services	431,184	-	431,184	471,390
<b>Incoming resources from charitable activities</b>				
Membership fees	55,022	-	55,022	45,565
<i>Circulation</i> & LINX	47,938	-	47,938	43,611
Publications	7,140	-	7,140	5,273
Quality Award	13,500	-	13,500	-
Training and events	87,768	-	87,768	86,257
Conference	84,292	-	84,292	71,899
Brokered member services	17,533	-	17,533	17,487
Partnership working	102,625	-	102,625	18,010
Outcomes Project	-	5,000	5,000	5,000
Releasing the learning potential for CVS	-	-	-	11,330
Engaging Communities	-	3,400	3,400	3,400
Hubs Mapping	-	-	-	7,786
Performance Improvement Support	-	77,880	77,880	73,800
SKiLD	-	205,928	205,928	144,355
Action Learning Matters Project	-	124,038	124,038	90,617
Action Learning Matters Project				
Development	-	-	-	700
ICT support	-	100,285	100,285	63,968
Quality Standards Project	-	-	-	70,250
Improving Local Partnership	-	114,104	114,104	4,477
Empowering the Voluntary Sector	-	83,805	83,805	2,627
Full Cost Recovery	-	8,318	8,318	4,615
Partnership Development Fund	-	-	-	(7,570)
BELVI Project	-	87,814	87,814	-
Sport Partnership	-	21,233	21,233	-
Every Action Counts	-	9,574	9,574	-
Other	11,319	-	11,319	17,126
	<b>858,321</b>	<b>841,379</b>	<b>1,699,700</b>	<b>1,251,973</b>
<b>Investment income</b>				
Bank interest	36,735	-	36,735	24,320
<b>Total incoming resources</b>	<b>895,056</b>	<b>841,379</b>	<b>1,736,435</b>	<b>1,276,293</b>

**3(b) Resources expended by activity**

	<b>Staff</b>	<b>Other direct</b>	<b>Support</b>		<b>2007</b>	<b>2006</b>
	<b>costs</b>	<b>costs</b>	<b>costs</b>	<b>Dep'n</b>	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Costs of generating funds	15,492	3,041	4,694	407	23,634	18,039
Governance costs	27,126	13,798	13,041	1,131	55,096	44,902
Policy development	114,587	-	41,205	3,575	159,367	128,662
Member support	57,281	3,695	27,514	2,387	90,877	96,443
LIO development support	33,905	-	12,453	1,080	47,438	50,814
Membership	39,451	-	20,211	1,754	61,416	61,076
<i>Circulation</i> & LINX	36,082	6,804	17,734	1,539	62,159	60,380
Publications	28,232	2,640	13,822	1,199	45,893	42,136
Training and events	40,828	55,521	19,951	1,731	118,031	217,574
Conference	25,712	67,951	11,866	1,030	106,559	76,174
Brokered services	14,150	-	6,520	566	21,236	20,406
Partnership working	14,711	54,451	6,781	588	76,531	-
Outcomes Project	-	-	-	-	-	5,000
Releasing the Learning Potential for CVS	-	-	-	-	-	13,021
Enterprising Infrastructure	-	-	-	-	-	2,318
CVS Development- second phase	-	-	-	64	64	113
CVS Development- third phase	-	-	-	-	-	4,904
Engaging Communities	-	-	-	-	-	3,400
Pilot of Infrastructure Standards for CVS	-	-	-	-	-	12,879
Hubs Mapping	-	-	-	-	-	7,786
Performance Improvement Support	31,690	44,935	37,004	-	113,629	30,846
SKILD	76,877	105,263	34,617	-	216,757	68,226
Action Learning Matters Project	47,350	114,223	21,986	-	183,559	24,376
Action Learning Matters Project Development	-	-	-	-	-	10,021
ICT Support	40,796	48,033	26,568	-	115,397	39,549
Quality Standards Project	-	55,745	-	-	55,745	13,879
Improving Local Partnerships	67,355	21,715	14,928	-	103,998	4,477
Empowering the Voluntary Sector	35,469	27,649	7,416	-	70,534	2,627
Full Cost Recovery	-	332	7,986	-	8,318	4,615
BELVI Project	-	82,514	-	-	82,514	-
Sport Partnership	-	2,638	-	-	2,638	-
Every Action Counts	-	6,773	-	-	6,773	-
Exceptional cost: irrecoverable VAT	-	-	25,000	-	25,000	-
	<b>747,094</b>	<b>717,721</b>	<b>371,297</b>	<b>17,051</b>	<b>1,853,163</b>	<b>1,064,643</b>

**3(c) Support costs**

Support costs totalling £371,297 have been allocated across the activities of the charity. These include costs associated with providing IT services, premises and other central services. Costs have been allocated based on time spent by staff supporting the activities. A full analysis of all of the costs of the charity is shown on page 37.

**4. Incoming resources by funder**

	<u>2007</u>	<u>2006</u>
	£	£
<b>Voluntary income - Unrestricted</b>		
Home Office – Active Community Unit		
- Strategic grant	<b>404,286</b>	388,737
- Performance Improvement Development Officer	-	46,210
National Westminster Bank plc	<b>20,000</b>	19,404
Other	<b>6,898</b>	17,039
	<hr/> <b>431,184</b> <hr/>	<hr/> 471,390 <hr/>

**Incoming resources from charitable activities****- Unrestricted**

Home office – Active Community Unit		
- Performance Improvement Hub	<b>2,877</b>	387
- Governance Hub	<b>2,340</b>	1,667
- ICT Hub	<b>1,362</b>	1,750
Collaboration	-	772
Membership	<b>55,022</b>	45,565
<i>Circulation</i>	<b>47,938</b>	43,611
Publications	<b>7,140</b>	5,273
Quality Awards	<b>13,500</b>	-
Events	<b>87,768</b>	86,257
Conference	<b>84,292</b>	71,899
Brokered services	<b>17,533</b>	17,487
Other	<b>107,365</b>	20,560
	<hr/> <b>427,137</b> <hr/>	<hr/> 295,228 <hr/>

**4. Incoming resources by funder - continued**

	<u>2007</u>	<u>2006</u>
	£	£
<b>Incoming resources from charitable activities</b>		
<b>- Restricted</b>		
Home Office – Active Community Unit		
- Partnership Development Fund	-	(7,570)
- Action Learning Matters Project Development	-	700
- Quality Standards Phase 3	-	70,250
- LPSA	<b>3,400</b>	3,400
- Hubs Mapping	-	7,786
- Releasing the learning potential of CVS	-	11,330
DEFRA	-	5,000
Perform Piloting	-	5,000
CES Outcomes Project	<b>5,000</b>	5,000
PI Support – ACU Grant	<b>77,880</b>	73,800
SKiLD – NCVO Grant	<b>140,785</b>	144,355
AL Matters – NCVO Grant	<b>102,877</b>	90,617
ICT – NCVO Grant	<b>100,285</b>	63,968
Big Lottery Fund:		
- Improving Local Partnerships	<b>114,104</b>	4,477
- Empowering the Voluntary Sector	<b>78,366</b>	2,627
- Full Cost Recovery	<b>8,318</b>	4,615
- BELVI Project	<b>87,814</b>	-
Sport England		
- Sport partnership	<b>21,233</b>	-
Community Development Foundation		
- Every Action Counts	<b>9,574</b>	-
Publications	<b>1,495</b>	-
Training and events	<b>90,248</b>	-
	<hr/>	<hr/>
	<b>841,379</b>	485,355
	<hr/>	<hr/>
<b>Total</b>	<b>1,699,700</b>	1,251,973
	<hr/> <hr/>	<hr/> <hr/>

<b>5. Governance costs</b>	<u>2007</u>	<u>2006</u>
	£	£
Auditors' remuneration	5,000	4,300
Trustee board expenses	8,798	7,275
Staff costs	27,126	24,739
Premises costs	2,211	1,291
Other overhead costs	10,830	5,541
Depreciation and profit on disposal of fixed assets	1,131	1,756
	<u>55,096</u>	<u>44,902</u>

**6. Pension costs**

NAVCA makes payments on behalf of employees into individual personal pension plans and also its own group personal pension plan. The assets of these schemes are held separately from those of NAVCA in independently administered funds. The pension cost charge in the income and expenditure account represents contributions payable by NAVCA to the funds and amounts to **£51,613** (2006: £37,021). There were contributions payable of **£15,168** (2006: £5,907) at the year end and these are included in creditors.

**7. Net income for the year is stated after charging:**

	<u>2007</u>	<u>2006</u>
	£	£
Trustees' remuneration (see note 8)	Nil	Nil
Auditors' remuneration:		
- External audit	5,000	3,610
- Other services	1,985	690
Operating lease rentals – land and buildings	25,483	23,793
Depreciation of fixed assets	17,450	46,698
	<u>51,918</u>	<u>84,801</u>

**8. Staff costs and trustees remuneration**

	<u>2007</u>	<u>2006</u>
	£	£
<b>Staff emoluments:</b>		
Wages and salaries	736,996	533,873
Social security costs	75,268	54,465
Pension costs	51,613	37,021
	<u>863,877</u>	<u>625,359</u>

**Other staff costs:**

Consultants' fees	-	973
Agency staff	<b>7,021</b>	4,411
Recruitment	<b>7,915</b>	18,236
Other	<b>23,856</b>	2,118
	<b>38,792</b>	25,738
<b>Total</b>	<b>902,669</b>	651,097

Staff were provided by an employment agency during the year to cover short-term peaks in work load.

None of the trustees receive any remuneration during the year.

No employee earned more than £60,000 per annum (2006: None).

Travel and subsistence expenses totalling £4,380 (2006: £5,412) were paid during the year to 16 trustees (2006: 15 trustees).

**9. Staff number**

The average number of employees during the year was made up as follows:

	<u>2007</u>	<u>2006</u>
	Number	Number
Charitable activities	<b>26</b>	20
Governance support	<b>1</b>	1
	<b>27</b>	21

**10. Taxation**

Since NAVCA is a registered charity, its results for the year are not subject to corporation tax.

<b>11. Tangible assets</b>	<b>Leasehold land &amp; buildings</b>	<b>IT equipment</b>	<b>Office furniture &amp; fittings</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2006	18,505	144,207	52,888	215,600
Additions	-	4,954	51,780	56,734
Disposals	(18,505)	-	-	(18,505)
<b>At 31 March 2007</b>	<b>0</b>	<b>149,161</b>	<b>104,668</b>	<b>253,829</b>
<b>Depreciation</b>				
At 1 April 2006	18,468	100,426	50,008	168,902
Disposals	(18,505)	-	-	(18,505)
Charge for the year	37	15,895	1,518	17,450
<b>At 31 March 2007</b>	<b>0</b>	<b>116,321</b>	<b>51,526</b>	<b>167,847</b>
<b>Net book amount</b>				
<b>At 31 March 2007</b>	<b>-</b>	<b>32,840</b>	<b>53,142</b>	<b>85,982</b>
At 31 March 2006	37	43,781	2,880	46,698

<b>12. Debtors</b>	<b><u>2007</u></b>	<b><u>2006</u></b>
	<b>£</b>	<b>£</b>
<b>Amounts due within one year</b>		
Trade debtors	85,355	48,186
Prepayments	73,012	47,579
Other debtors	1,850	16,670
	<b>160,217</b>	<b>112,435</b>

**13. Creditors: Amounts falling due within one year**

	<u>2007</u>	<u>2006</u>
	£	£
Trade creditors	62,622	82,902
Accruals	172,981	25,740
Tax and Social Security	44,325	5,907
Deferred income (note 14)	81,071	46,899
	<u>360,999</u>	<u>161,448</u>

**14. Deferred Income**

	<b>Charitable Governance</b>		<b>2007</b>	<b>2006</b>
	<u>activities</u>	<u>support</u>	<u>Total</u>	<u>Total</u>
	£	£	£	£
Balance at 1.04.06	46,899	-	46,899	90,551
Receivable during the year	1,733,872	-	1,733,872	1,208,321
Income regarding 2006/07	(1,699,700)	-	(1,699,700)	(1,251,973)
	<u>81,071</u>	<u>0</u>	<u>81,071</u>	<u>46,899</u>

**15. Designated funds**

The unrestricted funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the Trustee Board for specific purposes.

	<b>Balance at</b>		<b>Released/</b>	<b>Balance at</b>
	<u>1.4.06</u>	<u>Additions</u>	<u>utilised</u>	<u>31.3.07</u>
	£	£	£	£
Funding for tangible assets	45,479	56,733	(16,964)	85,248
Enhancing organisational capacity	25,247	-	(7,104)	18,143
Premises	95,000	-	(95,000)	0
	<u>165,726</u>	<u>56,733</u>	<u>(119,068)</u>	<u>103,391</u>

An explanation of the reserves policy and the new designated funds is given in the Trustees Report.

16. Restricted funds	Balance	Movement in resources		Balance
	at <u>1.4.06</u> £	<u>Incoming</u> £	<u>Outgoing</u> £	at <u>31.3.07</u> £
<b>Projects:</b>				
Outcomes Project	-	5,000	-	5,000
Performance Improvement Support	42,954	77,880	(113,629)	7,205
SKILD	76,129	205,928	(216,757)	65,300
ICT Support	24,419	100,285	(115,397)	9,307
CVS Development – second phase	63	-	(64)	(1)
Quality Standards Project	56,371	-	(55,745)	626
Improving Local Partnerships	-	114,104	(103,997)	10,107
Empowering the Voluntary	-	83,805	(70,534)	13,271
Full Cost Recovery	-	8,318	(8,318)	-
Database development	18,774	-	-	18,774
Action Learning for Managers	26,890	-	-	26,890
Action Learning Matters Project	66,241	124,038	(183,559)	6,720
Engaging Communities	-	3,400	-	3,400
BELVI	-	87,814	(82,514)	5,300
Sports Partnership	-	21,233	(2,638)	18,595
Every Action Counts	-	9,574	(6,773)	2,801
Pilot of Infrastructure Standards for CVS	8,860	-	-	8,860
Funding Advisers' seminar	2,028	-	-	2,028
Action Learning Matters Project Development	3,416	-	-	3,416
DEFRA grant	5,000	-	-	5,000
Piloting performance	5,000	-	-	5,000
	<u>336,145</u>	<u>841,379</u>	<u>(959,925)</u>	<u>217,599</u>

See next page for details of the various funds.

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**16. Restricted funds - continued**

- Outcomes Project – A partnership project led by CES, cascaded training on the use of an outcomes focused approach to working.
- Performance Improvement Support – ChangeUp project funding with CES as the main partner to promote good practice within the voluntary and community sector.
- SKiLD – A workforce hub funded project to develop a competencies framework for an associated training/learning programme for LIO development workers.
- ICT Support – NAVCA's role in the ChangeUp-funded ICT Hub is to find out how much ICT support is currently provided by CVS and local infrastructure organisations to frontline groups. The information will be made available as an online directory of ICT support providers on the ICT Hub website.
- CVS Development Project – Supporting developing CVS and existing member CVS, promoting quality standards, promoting and supporting the use of IT by CVS.
- Quality Standards Project – ChangeUp project funding to introduce quality benchmarking to local infrastructure organisations.
- Improving Local Partnerships – Improving Local Partnerships is a three - year Big Lottery funded project. The ILP will improve the quality of relationships between the VCS and local infrastructure organisations and local authorities. It will advise LIOs on how to effectively engage with groups that represent disadvantaged groups and communities in their area.
- Empowering the Voluntary Sector – Joint Big Lottery funded project with the Public Law Project. The Public Law Project is the lead partner; NAVCA is providing the training support. The outcomes of the project are to provide workshops in public law, a free legal advice line and information dissemination via newsletters and websites.
- Full Cost Recovery – This is a partnership agreement with acevo as the lead partner and NAVCA providing support to the steering group. The main aim of the project is to inform and train the voluntary and community sector in full cost recovery.
- Database development – The licensing and development of Sentences database software and purchase of related computer hardware. £18,774 of the balance at 31 March 2007 is in cash available to spend against further software costs.
- Action Learning for Managers – Developing and providing action learning for managers of the members of NAVCA and the partner organisations – bassac, BTEG, Dial UK and NACAB.

- Engaging Communities – Engaging Communities is funded by the Home Office, now the Cabinet Office, to support NAVCA's work helping LIOs and local groups to understand and engage in local area agreements. This year the funding has enabled us to run two well-attended seminars, each with about 75 delegates.
- BELVI – A project funded by the Big Lottery Fund to research the characteristics of effective local infrastructure organisations.
- Every Action Counts – Funded by the Community Development Foundation on behalf of Defra (Department for Environment, Food and Rural Affairs) to engage organisations in work to protect and improve our environment and to deliver sustainable development solutions.
- Sports Partnership – Funded by Sport England to develop and embed a culture of collaboration between local infrastructure organisations and those involved in the new Delivery System for Sport nationally.
- Pilot of infrastructure standards for CVS – Developing externally assessed quality standards for CVS.
- Funding Advisers' seminar – Running a seminar for local funding advisers to explore a number of current issues including the Funding Hub of Expertise.
- Action Learning Matters – Action Learning Matters (ALM) is a national resource for action learning in the voluntary and community sector across England. Outputs of the project include a national web resource, training, a bursary scheme and establishing regional action learning networks. ALM is funded by the Workforce Hub until March 2007.

#### 17. Endowment fund

The Sir John Wrigley Bequest was made in 1978 to the National Council for Social Services and subsequently devolved to NAVCA. The income from the bequest is being used as instructed, to assist the staff of CVS to take part in community work seminars, conferences and other training opportunities in the UK or in Europe.

#### 18. Analysis of accumulated fund balances between net assets as at 31 March 2007

	Unrestricted <u>Funds</u>	Restricted <u>Funds</u>	Endowment <u>Funds</u>	Total <u>Funds</u>
	£	£	£	£
Tangible fixed assets	85,248	734	-	85,982
Current assets	530,146	302,002	4,588	836,736
Current liabilities	(275,862)	(85,137)	-	(360,999)
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	339,532	217,599	4,588	561,719
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**19. Obligations under operating leases**

At 31 March 2007 the charity had annual commitments under non-cancellable operating leases terminating as follows:

	<b>Land and Buildings</b>	
	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
More than five years	<b>49,000</b>	-

**20. Pension obligations**

1. NAVCA participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.
2. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.
3. The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.
4. The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.
5. The Trustee commissions an actuarial valuation of the Growth Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.
6. If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

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7. The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.
  8. NAVCA paid contributions at the rate of 7% during the accounting period. Members paid contributions at the rate of 0% during the accounting period.
  9. As at the balance sheet date there were two active members of the Plan employed by NAVCA. NAVCA continues to offer membership of the Plan to its employees.
  10. It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.
  11. The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £675 million and the Plan's Technical Provisions (i.e. past service liabilities) were £704 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a past service funding level of 96%.
  12. The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Plan as at 30 September 2006. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £747 million and indicated a surplus of assets compared to liabilities of approximately £2 million, equivalent to a funding level of 100.2%. Annual funding updates of the Growth Plan are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the Plan since the last full valuation.
  13. Since the contribution rates payable to the Plan have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.
  14. The financial assumptions underlying the valuations as at 30 September 2005 were as follows:
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	%
	per annum
- Investment return pre-retirement	6.6
- Investment return post-retirement	4.5
- Bonuses on accrued benefits	0.0
- Rate of price inflation	2.5

15. In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre- and post-retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.
16. If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.
17. In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million will be cleared within five years if the investment returns from assets are in line with the “best estimate” assumptions. “Best estimate” means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These “best estimate” assumptions are 7.6% per annum pre retirement and 4.8% per annum post retirement.
18. A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the Growth Plan and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

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19. The next full actuarial valuation will be carried out as at 30 September 2008. An Actuarial Report will be prepared as at 30 September 2007 in line with statutory regulations.
  20. Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.
  21. The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.
  22. The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.
  23. NAVCA has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2005. As of this date the estimated employer debt for NAVCA was £164,000.

## Detailed income and expenditure analysis

Year ended 31 March 2007

	<u>2007</u> £	<u>2006</u> £
<b>Incoming resources</b>		
Voluntary and charitable activities		
For strategic work	441,184	491,347
For project work	831,379	485,355
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	1,272,563	976,702
Income from membership services	427,137	275,271
Interest receivable	36,735	24,320
	<hr/>	<hr/>
	1,736,435	1,276,293
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<b>Resources expended</b>		
Staff costs (including travel and training)	923,472	683,757
Printing, design and distribution of <i>Circulation</i>	6,807	7,518
Printing, design and distribution of other publications	44,143	18,176
Conference	67,951	42,714
Other events	138,004	113,367
Bursaries	-	2,245
CVS development support	-	4,904
Consultancy costs	28,328	18,586
Post, telephone, printing and stationery, publications	53,468	24,939
Premises costs	52,767	35,840
Maintenance including IT equipment	56,795	56,616
Depreciation	17,141	30,677
Fundraising and promotion	3,041	3,704
Trustee board expenses	8,818	7,275
Fees and charges	7,578	13,076
Bad debts written off	(3,167)	1,249
Other direct project costs	423,017	-
<b>Exceptional item: irrecoverable VAT</b>	25,000	-
	<hr/>	<hr/>
	1,853,163	1,064,643
	<hr/> <hr/>	<hr/> <hr/>
<b>Net incoming/(outgoing) resources</b>		
	(116,728)	211,650
	<hr/> <hr/>	<hr/> <hr/>
Unrestricted	1,818	(1,926)
Restricted	(118,546)	213,576
	<hr/>	<hr/>
	(116,728)	211,650
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