

REGISTRAR OF COMPANIES



Army Cadet Force Association (The)

Annual Report and Financial Statements

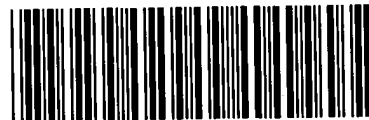
31 March 2019

Company Limited by Guarantee
Registration Number
00293432 (England and Wales)

Charity Registration Number
305962

Office of the Scottish Charity Regulator
SC039057

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Trustees' report Year to 31 March 2019

President of the Association/Trustee

Lieutenant General A J N Graham CB CBE

Vice President / Co-opted Member

Major General M D Wood CBE

Directors/Trustees

Chairman of the Board of Trustees

Major General (Retd) D McDowall CBE
(resigned 3 July 2019)
Major General (Retd) K D Abraham CB
(appointed 3 July 2019)

Vice Chairman
Honorary Treasurer
Legal Adviser
Investments Adviser
Marketing Adviser

Colonel D I Fuller OBE MNM DL ACF
Mr A Goodwin
Mrs E A Lincoln-Gordon
Mr R A C Duncan
Ms A Zukowska

Members of the Board of Trustees

Chairman Northern Ireland
Chairman Scotland
Chairman Wales

Colonel M V Warnock ACF
Colonel A H Cassidy OBE ACF
Colonel R E Stafford-Tolley ACF

ACF Representative Trustees

Lieutenant Colonel W A Adams ACF
Major J S Brocklehurst ACF
Colonel A I Denison OBE ACF (resigned 17 November 2018)
Lieutenant Colonel C M Harrison FCIPD ACF (appointed 17 November 2018)
Colonel E J Mytton ACF (resigned 17 November 2018)
Colonel N W Sarling ACF (appointed 17 November 2018)
Lieutenant Colonel M A R Shallow ACF (resigned 31 May 2019)
Colonel C Tearney ACF
Colonel H M W Williams ACF (resigned 17 November 2018)
Lieutenant Colonel N P Williams ACF (appointed 17 November 2018)
Commander (Retd) G R Bushell RN
Commodore J M S Fry RN
Brigadier MP Christie OBE
Colonel (Retd) M N S Urquhart OBE

Co-opted Members

Chief Executive

Trustees' report Year to 31 March 2019

| | |
|---|---|
| Company Secretary | Mr R A Walton |
| Principal address and registered office | Holderness House 51-61 Clifton Street London EC2A 4DW |
| Company Registration Number | 00293432 (England and Wales) |
| Charity Registration Number | 305962 |
| Office of the Scottish Charity Regulator | SC039057 |
| Auditor | Buzzacott LLP 130 Wood Street London EC2V 6DL |
| Bankers | Lloyds Bank plc Butler Place London SW1H 0PR |
| Investment managers | Waverton Investment Management 16 Babmaes Street London SW1Y 6AH |

The Board of Trustees, the members of which are also directors for the purposes of company law, presents its statutory report together with the financial statements of The Army Cadet Force Association for the year ended 31 March 2019.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and also constitutes a directors' report for the purposes of the Companies Act 2006 and other company legislation.

The financial statements have been prepared in accordance with the accounting policies set out therein and comply with the charitable company's memorandum and articles of association, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102).

OBJECTIVES, ACTIVITIES AND RELEVANT POLICIES

Activities and specific objectives

The Association has two charitable objectives:

- (1) To give mental, moral and physical training to young people and so to form and develop the character of each as to enable them to make a good start in life and to develop in them principles of good citizenship.
- (2) To promote the efficiency of the Army Cadet Force through fostering the activities of Army Cadets and advancing the youth leadership abilities of Army Cadet Force Adult Volunteers (CFAVs).

The charity's first purpose is therefore to provide activities that will educate, develop and broaden the interests of the c. 40,000 young people who are cadets in the Army Cadet Force (ACF). These young people come together from all walks of life in 1,400 local detachments across the whole of the UK. The Association looks to enhance their development both through the delivery of certain activities and by the making of grants.

In seeking to promote the efficiency of the ACF, the Association's second purpose, the Association provides support, advice and services to both individuals and the organisation as a whole. Through the support we offer CFAVs we seek to improve their confidence and ability to develop young people. We aim to ensure all CFAVs feel supported and valued for their selfless commitment. For the ACF as an organisation we employ key support staff including instructors at the Cadet Training Centre, activity development managers, support staff for the Cadet Management Information System and key people at the ACF's head office who are responsible for a range of activities including ACF policy, training development and safeguarding.

OBJECTIVES, ACTIVITIES AND RELEVANT POLICIES (continued)

Activities and specific objectives (continued)

In delivering these objectives, the charity supports both cadets and adult volunteers to gain recognisable qualifications that will enhance their professional life as well as develop their character and ability. In particular, the Association works with organisations including the Duke of Edinburgh's Award (DofE), St John Ambulance, the Defence Awarding Organisation, the Cadet Vocational Qualification Organisation (CVQO), the Order of St John, the Piping and Drumming Qualifications Board and Sports Leaders UK.

Activities that develop young people

The Association has been steadily improving across all of our activity areas. In DofE the Association has seen an increase in successful awards, in First Aid it has spent the year embedding a new framework for assuring appropriate medical cover for cadet activities, in music cadet musicians have performed on Horseguards, on the Esplanade of Edinburgh Castle and in Switzerland and Gibraltar.

As the Association looks to the future it has identified the need to fill new key volunteer roles. These volunteers will help the Association to develop a programme of new ideas and activities to better support both the ACF and its cadets. Once the Association has identified particular projects it will look to develop its fundraising capacity in order to help deliver those new expeditions, qualifications or other activities.

In more detail, the charity delivered:

National Sport

National sport has grown in the last year with the introduction of boys hockey and an orienteering competition. The adult volunteer attendance in support of sport has also gone up which has enabled us to introduce development courses supported by the British Army. We have now had our first full year of centralised competitions at Altcar Training Camp near Liverpool and we will be reviewing this new model to ensure that sport remains accessible to as many cadets as possible.

Duke of Edinburgh's (DofE) Award

Award completions in the ACF have risen by 21% this year, with our cadets and young adult volunteers achieving a total of 1,917 Awards in the period April 18 – March 19, compared to 1,584 in the previous year. The number of cadets enrolling for the Award has risen too – by 9%. More than 200 Leaders have completed one or more of the DofE Training courses, thereby increasing their own knowledge and ability to support and advise the participants. ACFA has further supported this process by producing and distributing Programme Planner cards and promotional posters for every Detachment. These are aimed at encouraging cadets to take part in the Award, and then providing them with detailed information on how to map their ACF activities across to the DofE sections.

OBJECTIVES, ACTIVITIES AND RELEVANT POLICIES (continued)

Activities and specific objectives (continued)

Activities that develop young people (continued)

First Aid and Medical Support

In the last 12 months the ACF has trained 1,950 adults in First Aid qualifications and 22,800 cadets have received some form of First Aid training; ranging from Heartstart to First Aid at Work. Of those qualifications almost 4,000 have been regulated qualifications.

ACFA is in the process of launching the new Cadet Forces Healthy Minds campaign. This is being launched in three stages. Stage 1, which launches in May 19, is a campaign with leaflets and cards being sent out to all army cadet units. Stage 2 will be an awareness campaign for adult volunteers, Stage 3 will be the delivery of an advanced training course for adults who want to know more and Stage 4 will be incorporating Healthy Minds into the syllabus review with the potential for generating cadet ambassadors

The Medical Support Officer role has now been active for 12 months and has received some very positive feedback. We have almost completed the final governance documents for this volunteer role and are looking at ways to further develop existing MSOs for the benefit of the cadets and adult volunteers under their care.

Cadet Force Music

The year got off to a great start when 430 cadets and adult volunteers attended the bi-annual music concentration at Altcar. In June Staffordshire & West Midlands (North Sector) ACF and Gwent and Powys ACF performed on Horse Guards in London with the Household Division. July saw the first Band and Corps of Drums tour of Gibraltar. The cadets played for His Excellency the Governor and at other high profile events.

The National Pipes and Drums had a busy year with various high profile engagements including the ACFA Scotland Beating to Retreat at Edinburgh Castle, The Royal Gun Salute at Stirling Castle and The Basel Christmas Tattoo as well as their training events and competitions throughout the year. There were also a high number of Star and SQA Qualifications achieved throughout this period.

The annual summer tour took place over the camp season with the Lothian and Borders ACF playing for various counties who do not, as yet, have a viable music ensemble. Then in September Derbyshire ACF performed at the annual Training Conference at Yardley Chase.

The second of our bi-annual music concentrations was held at Longmoor and resulted in almost 200 Cadets achieving Level 1 BTEC and 67 Cadets attaining a complete or partial pass at Level 2. In February the 22nd consecutive Rorke's Drift concert was held in Brecon with 185 cadets and adult volunteers taking part.

OBJECTIVES, ACTIVITIES AND RELEVANT POLICIES (continued)

Activities and specific objectives (continued)

Activities that develop young people (continued)

Cadet Force Music (continued)

The year finished with the largest massed band and corps of drums, to date, performing on the Beating of the Retreat at Edinburgh Castle in April and generating some national press attention with a photograph in the Daily Telegraph!

It has been a successful year for our people too with Major Tex Calton being awarded the MBE in the New Years Honours 2019. Finally we must record our thanks and say goodbye to Colonel Bob Jammes who has ably led the Bands and Corps of Drums for many years.

Activities that promote the efficiency of the ACF

An efficient ACF is one in which every cadet has the opportunity to develop personally and socially, in which they have opportunities to make a positive impact on their local community and where all young people are well looked after and protected from harm; whether by unscrupulous behaviour, neglect or poorly planned activity.

Our support to cadet activity is led by an experienced and passionate volunteer cohort. We have also developed dedicated support functions to assist the ACF at the national level and reorganised our back-office functions to enable us to administer our responsibilities more effectively.

In more detail the support activities that the Association has undertaken this year include:

Providing support staff to the ACF

The Association employs a range of staff in support functions. In 2018/19 this included some short term project support for specific activities (such as ACF national camps), policy managers, training development specialists, instructors at the Cadet Training Centre, online tutors for volunteer leadership development, and support staff for the Cadet MIS. In addition to these dedicated roles the Association has retained two Non-Executive Directors with child safeguarding expertise.

Association with Cadet Forces from Overseas

One role of the Association is to foster the links between cadet forces of foreign countries and ACF counties. Many ACF counties now have links to overseas cadet forces and many organise exchange visits at no cost to the MoD. The Association provides some grants for these visits and, on particular exchanges, provides an escort officer for part or all of the exchange. Each year the Association manages and delivers the national Canadian Cadet Exchange visit to the UK - which includes visiting Canadian WW1 War memorials and battlefields in France.

OBJECTIVES, ACTIVITIES AND RELEVANT POLICIES (continued)

Activities and specific objectives (continued)

Activities that promote the efficiency of the ACF (continued)

Volunteer Recruitment & Communications

The Volunteer Recruitment and Communications team aims to recruit more CFAVs, to promote the ACF externally and to share good practice amongst the volunteer cohort. In particular this means co-ordinating a programme of tailored local marketing campaigns in areas with low volunteer numbers; explaining to a range of audiences what the ACF is and how being an army cadet benefits the individual, their community and wider society; and, producing an in-house publication for volunteers to share information and ideas. The Association is in the process of transferring this function from London to Aldershot to embed it firmly in ACF HQ which is located there.

Training Support Fund

The Association has set aside funds to be used in support of short term projects or one-off equipment purchases in support of army cadets. Examples of purchases from this year included: dozens of VGA adaptors to make old model data projectors compatible with modern laptops; over 200 air rifles and ancillaries; and, equipment to enable the delivery of modern "CyberFirst" cadet courses to replace old courses based on telephone and radio technology.

Grant Making

The Association makes a large number of grants each year to cadets, CFAVs and to ACF Counties. Predominately grants to cadets seek to make activities more accessible to all cadets, irrespective of their financial means. CFAV grants are intended to make qualifications accessible to all, thus enabling individuals to evidence the skills and experience they have developed through the ACF to prospective employers. Grants to counties are generally to support the purchase of equipment or the development of facilities that will improve the experience of many cadets over a number of years. Here are some examples of how Association grants have supported cadet activity this year:

- Warwickshire & West Midlands (South Sector) ACF - a planned community engagement, battlefield education and conservation tour to South Africa.
- Norfolk ACF – a parachute course.
- Lancashire ACF – an exchange to Barbados including a friendly competition and adventurous training.
- Royal County of Berkshire ACF – an overseas expedition to Oslo, Norway.
- Cleveland ACF & Northumbria ACF – some two day sailing expeditions in UK waters.
- ILM Level 5 bursaries for adult volunteers from across the UK.

OBJECTIVES, ACTIVITIES AND RELEVANT POLICIES (continued)

Activities and specific objectives (continued)

Activities that promote the efficiency of the ACF (continued)

Grant Making (continued)

The Association also manages the Matthew Bacon Bursary. This Bursary celebrates the life of a former ACF cadet turned soldier, Matthew Bacon, who was killed in Iraq. The bursary is aimed squarely at cadets who are not making the most of their time in cadets because of shyness, family circumstance or social disadvantage. Cadets are required to fundraise a contribution to the course cost; the Bursary makes a contribution and the Outward Bound Trust also assist with the course costs. The Association is grateful to Terry Hayter and Richard Walton who raised around £6,500 for the fund when they cycled 1,000 miles in ten days to the ten regional headquarters of the ACF in May.

Insurance

The Association offers cadets and CFAVs of the ACF a cost effective and comprehensive Personal Accident Insurance Scheme (PA Scheme). The PA Scheme is in addition to the MoD Indemnity. The PA Scheme is renegotiated annually through the insurance broker, Howden UK, and the insurer is currently DTW 1991 Lloyds Underwriters. All ACF Counties have joined the Scheme and it covers all authorised cadet activity. Where the MoD specifically excludes an activity from being 'authorised' the insurer can be approached to see if the Association policy might be extended to cover the activity.

In addition the Association provides a travel insurance policy. This Scheme is also comprehensive and cost effective. It provides cover for overseas cadet activities including exchanges, tours and expeditions as well as UK activities if necessary.

The Association negotiates and collects premiums for the PA and Travel Schemes and remits payments to the broker. The cost of administering the scheme is borne by the Association as the Trustees regard the service as a core part of the charity's objects and meeting the Association's moral obligation to support cadets and CFAVs when things go wrong. In recognition of the value of the work that the Association carries out on behalf of the insurer to administer the Schemes we have negotiated a low-claims rebate to offset some of the administrative costs. Part of this rebate is utilised to buy Legal Help Insurance for CFAVs.

The Association's CFAV Legal Help Insurance scheme is designed to support CFAVs who are accused of wrongdoing in cadet activities. The insurance policy provides a legal helpline to assist those CFAVs who might be faced with criminal prosecution in relation to their authorised ACF activities. In the event that any criminal prosecution of a CFAV (in relation to ACF matters) goes to court, the Legal Help solicitors will provide a recommendation as to what plea to make and, so long as their advice has been heeded, will fund a defence until the conclusion of the proceedings. The Legal Help Insurance also includes legal support in connection with Coroners' Courts and Fatal Accident Inquiries. The Association will review its insurance provisions and consider other brokers and models of insurance formally in the course of the next financial year.

OBJECTIVES, ACTIVITIES AND RELEVANT POLICIES (continued)

Activities and specific objectives (continued)

Future Plans for the Charity

This coming year the Association will concentrate on three key areas. Firstly, the Association will move its marketing functions to Aldershot in order to better integrate them into HQ Army Cadets in support of our first charitable object (to promote the efficiency of the Army Cadet Force). Secondly the Association will engage with its general membership (the battalions, counties and sectors of the ACF) with the intention to bring about changes that will result in General Members becoming branches of the charity. Thirdly the Association will review the way that Army Cadet Information Services are delivered and develop a new approach to this important support function.

Grant making policy

The principles used in awarding grants to individuals are:

- ◆ Applications from any geographical area within the UK (but not overseas) are eligible for consideration.
- ◆ Applications must be made by individuals or ACF sub-units.
- ◆ All applications from previous recipients of grants or from previously unsuccessful applicants will be considered by the Trustees on their own merits. Although the Trustees will have regard to the outcome of the previous application, any new application will in no way receive preferential or adverse consideration.
- ◆ The Charity will not normally make individual awards for sums in excess of £1,000.
- ◆ The Charity will willingly work in partnership with other organisations to fund initiatives beyond the financial scope of a single organisation.

Investment policy

Association Statement of Investment Principles

The charity has a portfolio of investments with a market value as at 31 March 2019 of £2,810,885 (2018: £2,651,861) managed by Waverton Investment Management. The Trustees of the Association wish to pursue a policy of capital growth. This policy seeks to allow the Association to be able to continue to meet its objectives over many years in accordance with the objects of the Association.

The Trustees, in delegating their investment management, require the managers to pay attention to the standard investment criteria, namely the suitability of the class of investment and the need for diversification insofar as it is appropriate to the circumstances of the Association. Any restrictions on the type of investments or markets in which the manager may invest on the client's behalf will be set out in writing.

OBJECTIVES, ACTIVITIES AND RELEVANT POLICIES (continued)

Investment policy (continued)

Association Statement of Investment Principles (continued)

The Trustees' overriding wish is that the portfolio be managed to achieve a return better than that of a composite benchmark in line with the objectives of long-term capital growth. The Association has no specific income requirements. However, the Trustees wish for income to be distributed to the Association's bank account instead of it being accumulated. The Trustees regard this as prioritising capital growth and there is no income target, nor should income generation be driving our investment selection. Any income distributed should therefore be residual. This residual income is used to make grants to individuals and ACF Counties.

Benchmarks and objectives will be subject to regular review. In particular, any out-performance target will be set on a minimum rolling three-year basis and reviewed at a regular meeting of the Finance and General Purposes Committee.

The benchmark as at 31 March 2019:

| Asset Class | Neutral/strategic Weight % | Index used for comparison |
|--------------------|----------------------------|---------------------------|
| UK Gov't Bonds | 10 | iBoxx £ Gilts |
| UK Corporate Bonds | 10 | iBoxx £ Corporates |
| Global Equities | 75 | MSCI AC World |
| Cash | 5 | Cash |
| <i>Total</i> | <i>100</i> | <i>Composite</i> |

The Finance and General Purposes Committee meets at least three times each year to review the performance of the portfolio and the investment strategy and receives personal briefings once a year from the investment managers.

OBJECTIVES, ACTIVITIES AND RELEVANT POLICIES (continued)

Investment policy (continued)

Association Trustee comment on portfolio

The investment portfolio completed its' first year under the management of Waverton during which time we witnessed a strong positive return. During a difficult and volatile year the portfolio generated a return of 8.8% which compares well against all of the yardsticks the Finance and General Purposes Committee use to measure to how well the portfolio is doing. The committee remain content with the overall strategy of their investments and the strong returns generated over the financial year.

GOVERNANCE, STRUCTURE AND MANAGEMENT

Constitution

The Army Cadet Force Association is a registered charity and a company limited by guarantee, not having a share capital. It is governed by its memorandum and articles of association which were last amended on 21 November 2015.

Trustees

The names of the Trustees who served during the year are set out as part of the reference and administrative details on page 1 of this annual report and financial statements and brief biographical details of the senior Trustees are given below.

| Office | | Background |
|--------------------|--|---|
| President | Lieutenant General A J N Graham CB CBE | Commandant Defence Academy 2007-2011 |
| Chairman | Major General K D Abraham CB | Director General of Army Reform 2012-2015 |
| Vice Chairman | Colonel D Fuller OBE MNM DL | Principal Marine Surveyor, Maritime and Coastguard Agency |
| Honorary Treasurer | Mr A Goodwin | Head of Investment Relationship Management, Newton Investment Ltd |

These Trustees are involved in the selection of senior officers of the charity and of new Trustees. Once selected, new Trustees are sent an induction pack and attend training days if available. In 2018/19 this included invites to seminars on tax, trustee governance, investment responsibilities and charitable regulation changes. Trustees are not remunerated for their trustee duties but are reimbursed their travel expenses for attending Trustees' meetings, visiting ACF activities and other support to the charity.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Trustees' responsibilities statement

The Trustees (who are also directors of The Army Cadet Force Association for the purposes of company law) are responsible 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).

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 and of the incoming resources and application of resources, including the income and expenditure of the charity for that period. In preparing these financial statements, the Trustees are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- ♦ make judgments and estimates that are reasonable and prudent;
- ♦ state whether applicable United Kingdom 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 charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that 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 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They 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.

Each of the Trustees confirms that:

- ♦ so far as the Trustee is aware, there is no relevant audit information of which the charity's auditors are unaware; and
- ♦ the Trustee has taken all the steps that he ought to have taken as a Trustee in order to make himself aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Key management personnel

The Trustees consider that they together with the Chief Executive, the Director of Finance, Operations and Training and the Head of Volunteer Recruitment & Communications comprise the key management of the charity in charge of directing and controlling, running and operating the charity on a day to day basis.

In setting the salary levels for the Association the Trustees carry out a comparison with a suitable benchmark. The remunerations committee is tasked each year to ensure that all salaries, including those of the senior officers of the charity, are commensurate with this measure. This includes a review of the salary bands.

Structure and management reporting

The charity has a full time salaried Secretariat that manages its activities on a daily basis. The Chief Executive, Colonel Murdo Urquhart, heads this Secretariat. The Secretariat carries out the day-to-day management of all the Association activities to a programme and activity level agreed in advance between the Trustees and the main funder – the Army's HQ Regional Command (HQ RC). This activity plan is formalised in a Memorandum of Understanding between HQ RC and the Association. The senior Trustees (President, Chairman, Vice Chairman and Honorary Treasurer) are consulted by the Chief Executive on a regular basis and on all matters that are considered by him to be strategic, novel or contentious. These consultations are largely conducted by telephone and e-mail but several meetings occur that are in addition to the formal meetings described in the next paragraph.

The Association Board of Trustee (BoT) meets three times per year; after the production of the annual financial statements in July, before the Association's AGM in November, and towards the end of the financial year in March. Among other papers the BoT receives in advance:

- ◆ A copy of the minutes of the Finance and General Purposes Committee (see next paragraph). In the July meeting the audited financial statements are agreed and signed off.
- ◆ An updated register of the diverse risks being managed by the charity.

The BoT has two sub committees. The first is the Finance and General Purposes Committee which supervises the overall financial management and governance of the Association, including agreeing the annual budget, the raising, investment and direction of funds and the oversight of grant making processes. The Committee is chaired by the Honorary Treasurer and consists of at least two other trustees with financial or investment experience. It meets three times per year in advance of each main BoT meeting so as to provide timely management information to the Trustees.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Structure and management reporting (continued)

The second sub committee is the Remuneration Committee, which is a joint committee with our sister charity the Combined Cadet Force Association (1170994). This committee is joint because the charities share back office services, including HR. It is chaired by the ACFA Chair of Trustees, and includes both the ACFA and CCFA Treasurers as members. This committee sets the overall policy for remuneration of the salaried permanent staff and meets once per year.

The BoT also calls upon 'activity committees' which are set up by them to manage and facilitate all of the activities mentioned in this report.

The charity has three national branches based in Scotland, Northern Ireland and Wales. These branches each have committees made up of volunteers from the ACF with a part time Secretary who works from home. Each branch runs a separate financial account for the support of local activities. These financial statements are included in the main Association financial statements. The Chairmen of these branches are Trustees of the main Association BoT and provide regional input and advice to BoT meetings. Other Trustees are elected from the ACF in England to act and provide advice on a regional basis. The charity is also regulated by the Office of the Scottish Charity Regulator and is regarded by it as a 'Cross-Border Charity' with a separate Scottish Charity Number (SC039057).

Risk management

The BoT has a formal risk management process to assess business risks. This involves identifying the types of risks the charity faces, assessing them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. The charity's internal controls are regularly checked against the guidelines set down and recommended by the Charity Commission and yearly internal governance inspections are carried out by the Chair of the Finance and General Purposes Committee.

The risks are formally reviewed at each of the three BoT meetings that are held in the course of a year, and the Trustees are satisfied that the processes are being implemented and that the internal controls are adequate and effective. Matters of a purely financial risk are closely managed by the Finance and General Purposes Committee and are brought to the attention of the BoT as necessary to form part of the formal BoT review.

The key risks to the charity are:

- ♦ Funding Risk. As the Association's funding comes largely from a single source (HQ RC) there is a risk that any government savings drive or call for in-year efficiencies could impact upon funding. The Trustees mitigate this risk by: maintaining reserves to cover a loss of funding in the short-term should the charity need to adjust to a lower-income model; having a formalised Memorandum of Understanding with HQ RC outlining what funding is required and how it will be used; and through the Finance and General Purposes Committee, exercising oversight of the financial status of the charity.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Risk management (continued)

- ◆ Resilience Risk. A temporary or permanent loss of the Holderness House building due to fire, flood or other emergency. The Trustees mitigate this risk by: ensuring that the building is compliant with the appropriate regulations; holding adequate insurance; and operating a resilient remote-desktop capability through a third-party supplier and having access to office locations across the UK.
- ◆ Staff Risk. The success of the Association's programme of work depends on decent, fit, well-motivated staff. The Trustees seek to ensure this by: having appropriate recruitment, complaints and HR policies and ensuring they are adhered to; a system of annual staff appraisal; holding appropriate insurance; ensuring the policies are kept up to date and are easily accessible to all staff and managers; and obtaining appropriate specialist HR advice for individual issues.

FINANCIAL REPORT FOR THE YEAR

General. Charitable activity levels have been steady through the year and the Trustees have continued a policy of steadily reducing the Association Reserves. Donations during the year to cadet related causes sat at £898,441 (2018: £133,361) and included expeditions and exchanges to Austria, Barbados, Belgium, Bulgaria, Cyprus, France, Germany, Gibraltar, Holland, Norway, Poland, South Africa and Spain! This includes funds disbursed from two LIBOR funded projects. One in support of the Sailing Fund (this year in the Lord Dannatt Round Britain Challenge) that disbursed £145,529 and one in support of the Community Cadets Fund that disbursed £458,827 to 54 ACF Counties through a special grants committee set up for this purpose.

Detailed Income. The overall HQ RC Grant in Aid (GinA) was agreed at £3.69M (2018 £2.92M). The GinA aside, a further £1.61M (2018: £725k) was passed to the Association by the HQ RC to achieve additional in-year activity, grants through the Community Cadets Fund and equipment purchases.

Cadet Management Information System (Cadet MIS). The Cadet MIS is used jointly by three Cadet Forces (ACF, Combined Cadet Force and Sea Cadets). It is supported by the Association using funding received from the MoD. The Association directly employs support staff and transfers funding for use on Cadet MIS development work to a sister charity, the Marine Society and Sea Cadets (charity number: 313013); the latter shares development costs of the Cadet MIS with the Army and also contributes funds. This year the money transferred to the MSSC for use on Cadet MIS development was £922k (2018: £487k).

Insurance Services. Premiums this year have remained fixed. The Association intends to carry out a full review of insurance brokers and services in the next financial year.

Results for the Year 2018-2019

A summary of the year's results can be found on page 22 of this report and financial statements.

FINANCIAL REPORT FOR THE YEAR (continued)

Results for the Year 2018-2019 (continued)

During 2018-19 total income amounted to £5,728,963 (2018: £4,256,927). The MoD grant was £5,296,826 (2018: £3,941,697) and included additional grants to support legacy work on the Cadet MIS, additional marketing funding and funds to disburse through the Community Cadets Fund.

Expenditure totalled £5,633,002 (2018: £4,085,105).

The net surplus for the year was £273,397 (2018: £162,904). The overall surplus has been increased by a gain in the value of the investments of £177,436 (2018: £8,918 decrease). The total value of the Association funds therefore is now £3,946,854 (2018: £3,673,437).

MoD Grant-in-Aid and Grant. The Memorandum of Understanding (MoU) has matured into a useful document and has enabled Trustees to better see how the Association supports the ACF. The Trustees have satisfied themselves that they are comfortable with the process and will continue to review the performance annually before signing up to the next MoU. The process provides more certainty over the MoD funding stream but as a quid pro quo it requires the charity to report more formally on Key Performance Indicators (KPIs). A series of bi-annual performance management reviews have been conducted with HQ RC providing rigorous oversight of the activity the Association carries out on their behalf.

Reserves' Policy

As explained above, the charity carries out a diverse range of activities, some of which comprise short term and externally funded projects whilst others comprise long term projects requiring significant ongoing financial commitment and investment. The Trustees have examined the requirement for free reserves, i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed.

The Trustees consider that, given the nature of the charity's work, and the fact that the main risk is associated with the surety or otherwise of any long term government funding, the level of free reserves should be approximately equivalent to 12 months' income on normal unrestricted funding (£3.1M).

Financial position

The balance sheet shows total funds of £3,946,854 (2018: £3,673,457). The charity's free reserves of £3,880,000 (2018: £3,605,099) at 31 March 2019 remain in excess of that set out in the reserves' policy above and trustees will take further action to increase financial support accordingly.

Also included in total funds is an amount of £13,949 (2018: £32,677) which is restricted. Full details of these restricted funds can be found in note 16 to the financial statements together with an analysis of movements in the year.

The Association provides employees with a pension through the Pensions Trust. The Association has no employer's contingent liability in respect of this scheme, having bought out the deficit during the year.

FINANCIAL REPORT FOR THE YEAR (continued)

Gifts in Kind

The Association is grateful to the MoD for the informal licence to occupy our offices at Holderness House. The trustees assess the Association's likely costs to rent an appropriate office space to be in the region of £32,400 (2018: £32,400). The gift in kind has not been accounted for as it is not material.

The Charity's Assets

Acquisitions and disposals of fixed assets during the year are recorded in the notes to the financial statements.

EMPLOYEES

The charity is an equal opportunities employer and will apply objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

Selection criteria and procedures are reviewed regularly to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities. All employees are given equal opportunity and, where appropriate and possible, special training to enable them to progress both within and outside the organisation. Formal half yearly and yearly performance reviews are carried out.

Employees have access to a portable, contributory pension and a free healthcare scheme although the latter has been closed to new employees for some years as a result of large premium increases. Due to employees leaving or retiring the scheme now contains only three active members and the costs have dropped commensurately.

FUNDRAISING STATEMENT

The charity is not a member of the Fundraising Regulator because it does not engage in the kind of fundraising activity that would make this a requirement. The charity's approach to fundraising activity is to seek grants from organisations in order to achieve a particular aim, for example to invest in the cadet training estate. Where an individual or group with an interest in the cadet movement would like to support cadets we invite them to make a donation to the ACFA. We do not use a professional fundraiser or a commercial participator.

We also offer the facility for individuals to make one off or repeat donations online and offer membership of the ACFA to repeat individual donors or ACF Counties. We have received no complaints about fundraising.

This year we wrote to all of the people associated with the charity to check what kind of communications they would like from us, including the magazine we provide free to members. We gave them the opportunity to tell us how they wanted us to use their data. We do not contact our members or supporters to solicit donations, although this is something we might consider doing should we have a specific fundraising objective in the future.

VOLUNTEERS

The Trustees are very grateful to the many volunteers who have given their time to the charity over the past year and who have provided invaluable assistance with fundraising, career development projects and particularly the activities that develop and enthuse the c.40,000 cadets of the ACF.

Approved by the Trustees and signed on their behalf by:

A handwritten signature in black ink, appearing to be 'A. R. H.', followed by a long horizontal line extending to the right.

Chairman

Approved by the Trustees on: 3 July 2019

Independent auditor's report to the trustees and members of The Army Cadet Force Association

Opinion

We have audited the financial statements of The Army Cadet Force Association (the 'charitable company') for the year ended 31 March 2019 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the charitable company's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ◆ the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

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

- ◆ proper and adequate accounting records have not been kept, 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; or
- ◆ the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charity's trustees as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Edward Finch (Senior Statutory Auditor)

For and on behalf of Buzzacott LLP, Statutory Auditor

130 Wood Street

London

EC2V 6DL

12/9/19

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of financial activities Year to 31 March 2019

| | Notes | Unrestricted funds £ | Restricted funds £ | Total 2019 £ |
|---|-------|-------------------------|-----------------------|--------------------|
| Income and expenditure | | | | |
| Income from: | | | | |
| Donations | | 52,876 | 6,861 | 59,737 |
| Investment income | 1 | 80,017 | — | 80,017 |
| Charitable activities | | | | |
| . Grants and contributions receivable | 2 | 4,897,692 | 609,875 | 5,507,567 |
| . Members' subscriptions | | 3,797 | — | 3,797 |
| . Development - training and support services | | | | |
| Income | 3 | 58,509 | 19,336 | 77,845 |
| Total income | | 5,092,891 | 636,072 | 5,728,963 |
| Expenditure on: | | | | |
| Cost of raising funds | | | | |
| . Investment management fees | | 14,879 | — | 14,879 |
| Charitable activities | 4 | | | |
| . Activities, events and projects | | 3,844,155 | 656,071 | 4,500,226 |
| . Marketing & Development | | 1,117,897 | — | 1,117,897 |
| Total expenditure | | 4,976,931 | 656,071 | 5,633,002 |
| Net income before gains on investments | 7 | 115,960 | (19,999) | 95,961 |
| Net gains on investments | 11 | 177,436 | — | 177,436 |
| Net income (expenditure) | | 293,396 | (19,999) | 273,397 |
| Transfers | | (1,271) | 1,271 | — |
| Net movement in funds | | 292,125 | (18,728) | 273,397 |
| Reconciliation of funds: | | | | |
| Fund balances at 1 April 2018 | | 3,640,780 | 32,677 | 3,673,457 |
| Fund balances at 31 March 2019 | | 3,932,905 | 13,949 | 3,946,854 |

All of the charity's activities during the above financial period derived from continuing operations.

All recognised gains and losses are included in the above statement of financial activities.

Statement of financial activities Year to 31 March 2018

| | Notes | Unrestricted funds £ | Restricted funds £ | Total 2018 £ |
|--|-------|----------------------------|--------------------------|--------------------|
| <i>Income and expenditure</i> | | | | |
| <i>Income from:</i> | | | | |
| Donations | | 46,324 | 2,250 | 48,574 |
| Investment income | 1 | 78,858 | — | 78,858 |
| <i>Charitable activities</i> | | | | |
| . Grants and contributions receivable | 2 | 4,045,800 | — | 4,045,800 |
| . Members' subscriptions | | 4,407 | — | 4,407 |
| . Development - training and support services income | 3 | 42,605 | 36,683 | 79,288 |
| Total income | | 4,217,994 | 38,933 | 4,256,927 |
| <i>Expenditure on:</i> | | | | |
| <i>Cost of raising funds</i> | | | | |
| . Investment management fees | | 26,959 | — | 26,959 |
| <i>Charitable activities</i> | | | | |
| . Activities, events and projects | 4 | 3,027,824 | 13,776 | 3,041,600 |
| . Marketing & Development | | 1,016,546 | — | 1,016,546 |
| Total expenditure | | 4,071,329 | 13,776 | 4,085,105 |
| Net income before gains (losses) on investments | 7 | 146,665 | 25,157 | 171,822 |
| Net (losses) gains on investments | 11 | (8,918) | — | (8,918) |
| Net income before movements in pension fund liability | | 137,747 | 25,157 | 162,904 |
| Movements on defined benefit pension scheme | 18 | (132,983) | — | (132,983) |
| Net movement in funds after movements in pension fund liability | | 4,764 | 25,157 | 29,921 |
| <i>Reconciliation of funds:</i> | | | | |
| Fund balances at 1 April 2017 | | 3,636,016 | 7,520 | 3,643,536 |
| Fund balances at 31 March 2018 | | 3,640,780 | 32,677 | 3,673,457 |

All of the charity's activities during the above financial period derived from continuing operations.

Balance sheet 31 March 2019

| | Notes | 2019 £ | 2019 £ | 2018 £ | 2018 £ |
|--|-------|------------------|------------------|------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 52,905 | | 35,681 |
| Investments | 11 | | <u>2,810,885</u> | | <u>2,651,861</u> |
| | | | <u>2,863,790</u> | | <u>2,687,542</u> |
| Current assets | | | | | |
| Debtors | 12 | 17,069 | | 39,848 | |
| Cash at bank and in hand | | <u>1,132,242</u> | | <u>1,419,584</u> | |
| | | <u>1,149,311</u> | | <u>1,459,432</u> | |
| Liabilities: | | | | | |
| Creditors: amounts falling due within one year | 13 | <u>(38,536)</u> | | <u>(108,534)</u> | |
| Net current assets | | | <u>1,110,775</u> | | <u>1,350,898</u> |
| Creditors: amounts falling are after one year | 14 | | <u>(27,711)</u> | | <u>—</u> |
| Total assets less current liabilities | | | <u>3,946,854</u> | | <u>4,038,440</u> |
| Defined benefit pension scheme liability | 15 | | — | | (364,983) |
| Total net assets | | | <u>3,946,854</u> | | <u>3,673,457</u> |
| The funds of the charity: | | | | | |
| Unrestricted funds | | | | | |
| General fund | 16 | | 3,932,905 | | 3,640,780 |
| Restricted funds | 17 | | <u>13,949</u> | | <u>32,677</u> |
| | | | <u>3,946,854</u> | | <u>3,673,457</u> |

Approved by the Board of Trustees of The Army Cadet Force Association (Company Registration Number 00293432 (England and Wales)) and signed on their behalf by:



Vice Chairman
COLONEL DAVID FULLER



Honorary Treasurer
ALAN GOODWIN

Approved on: 3 July 2019

Statement of cash flows 31 March 2019

| | Notes | 2019 £ | 2018 £ |
|--|-------|------------------|--------------------|
| Cash flow from operating activities: | | | |
| Net cash used in operating activities | A | (349,191) | (6,743,044) |
| Cash inflow from investing activities: | | | |
| Dividends and interest from investments | | 66,215 | 78,858 |
| Purchase of tangible fixed assets | | (22,778) | (38,275) |
| Proceeds from the disposal of investments | | 1,053,340 | 1,963,001 |
| Purchase of investments | | (1,102,264) | (1,900,695) |
| Net cash provided by investing activities | | (5,487) | 102,889 |
| Change in cash and cash equivalents in the year | | (354,678) | (6,640,155) |
| Cash and cash equivalents at 1 April 2018 | B | 1,514,553 | 8,154,708 |
| Cash and cash equivalents at 31 March 2019 | B | 1,159,875 | 1,514,553 |

Notes to the cash flow statement for the year to 31 March 2019.

A Reconciliation of net movement in funds to net cash flow from operating activities

| | 2019 £ | 2018 £ |
|---|------------------|--------------------|
| Net movement in funds (as per the statement of financial activities) | 273,397 | 29,921 |
| Adjustments for: | | |
| Depreciation charge | 5,554 | 4,350 |
| Losses / (gains) on investments | (177,436) | 8,776 |
| Dividends and interest from investments | (80,017) | (78,858) |
| Decrease (increase) in debtors | 36,581 | (37,159) |
| Decrease in creditors | (42,287) | (6,803,057) |
| Increase (decrease) in provision for pension deficit | (364,983) | 132,983 |
| Net cash (used in) operating activities | (349,191) | (6,743,044) |

B Analysis of cash and cash equivalents

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Cash at bank and in hand | 1,132,242 | 1,419,584 |
| Cash held by investment managers | 27,633 | 94,969 |
| Total cash and cash equivalents | 1,159,875 | 1,514,553 |

Principal accounting policies 31 March 2019

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

Basis of preparation

These accounts have been prepared for the year to 31 March 2019.

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these accounts.

The accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest pound.

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The trustees have made this assessment in respect to a period of one year from the date of approval of these accounts.

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed above. With regard to the next accounting period, the year ending 31 March 2020, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets.

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income recognition (continued)

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

Grants from government and other agencies have been included as income from charitable activities where these amount to a contract for services. Grant income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future accounting period.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the charity. This includes investment management fees.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include direct and support costs including governance costs.

All expenditure is stated inclusive of irrecoverable VAT.

Allocation of support and governance costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

Where support costs and governance costs cannot be attributed to a particular activity they are apportioned based on an estimation of staff time spent on each activity. Staff related costs are also allocated based on an estimation of staff time spent on each activity.

Tangible fixed assets and depreciation

All assets costing more than £500 and with an expected useful life exceeding one year are capitalised.

Provision for depreciation has been made in respect of furniture, fixtures, fittings, and computer equipment in accordance with their anticipated useful lives and is calculated at 20 - 25% per annum on cost.

Leasehold improvements are depreciated at 25% in line with similar assets, as there is no formal lease in place.

Fixed asset investments

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

The charity does not acquire put options, derivatives or other complex financial instruments.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date.

Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Fund accounting

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

Designated funds comprise monies held within the unrestricted general fund but set aside for specific future purposes or projects.

The general fund represents those monies which are freely available for application towards achieving any charitable purpose that falls within the charity's charitable objects.

Operating leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis over the lease term.

1 Investment income

| | 2019 Total £ | 2018 Total £ |
|------------------------------------|--------------------|--------------------|
| Listed investment income | | |
| . UK fixed interest | 6,899 | 5,069 |
| . Overseas fixed interest | 7,230 | — |
| . UK equity | 28,558 | 32,758 |
| . Overseas equity | 19,607 | 22,574 |
| . Property funds | 4,365 | 4,227 |
| . Alternatives | 4,170 | 4,416 |
| | 70,829 | 69,044 |
| Bank and building society interest | 9,188 | 9,814 |
| 2019 Total funds | 80,017 | 78,858 |

Investment income is all in respect of unrestricted funds

2 Grants and contributions receivable

| | Unrestricted funds £ | Restricted funds £ | 2019 Total £ |
|---------------------------------------|----------------------------|--------------------------|--------------------|
| Ministry of Defence grants | | | |
| . Activity support | 4,838,079 | — | 4,838,079 |
| . MoD LIBOR for Community Cadets Fund | — | 458,747 | 458,747 |
| Contributions from: | | | |
| . Combined Cadet Force Association | 59,613 | — | 59,613 |
| . HMT LIBOR for Sailing Fund | — | 151,128 | 151,128 |
| 2019 Total funds | 4,897,692 | 609,875 | 5,507,567 |

| | Unrestricted funds £ | Restricted funds £ | 2018 Total £ |
|------------------------------------|----------------------------|--------------------------|--------------------|
| Ministry of Defence grants | | | |
| . Activity support | 3,941,697 | — | 3,941,697 |
| Contributions from: | | | |
| . Combined Cadet Force Association | 104,103 | — | 104,103 |
| 2018 Total funds | 4,045,800 | — | 4,045,800 |

3 Development – training and support services income

| | Unrestricted funds £ | Restricted funds £ | 2019 Total £ |
|--|----------------------------|--------------------------|--------------------|
| Collective insurance policy premiums (net) | 18,373 | — | 18,373 |
| Other income | 40,136 | 19,336 | 59,472 |
| 2019 Total funds | 58,509 | 19,336 | 77,845 |

3 Development – training and support services income (continued)

| | Unrestricted funds £ | Restricted funds £ | 2018 Total £ |
|---|----------------------------|--------------------------|--------------------|
| <i>Collective insurance policy premiums (net)</i> | 12,817 | — | 12,817 |
| <i>Other income</i> | 29,788 | 36,683 | 66,471 |
| 2018 Total funds | 42,605 | 36,683 | 79,288 |

4 Charitable activities

| | Activities, events and projects £ | Marketing & Development £ | 2019 £ |
|---|--|---------------------------------|------------------|
| Adventurous training | 184,660 | — | 184,660 |
| Promotional activity (AGM dinner costs) | — | 18,796 | 18,796 |
| Cadet Force Music | 109,477 | — | 109,477 |
| Expeditions and exchange costs | 57,099 | — | 57,099 |
| Duke of Edinburgh's award | 54,054 | — | 54,054 |
| Training development activity | 25,355 | — | 25,355 |
| First aid | 18,707 | — | 18,707 |
| Membership | 656 | — | 656 |
| Sport | 75,394 | — | 75,394 |
| General grants | 898,441 | — | 898,441 |
| Publicity and marketing | — | 834,823 | 834,823 |
| Salaries and wages | 1,594,262 | 246,061 | 1,841,022 |
| Training support costs | 430,397 | — | 430,397 |
| | 3,449,202 | 1,099,680 | 4,548,882 |
| Cadet MIS | 933,105 | — | 933,105 |
| Support costs (note 5) | 94,311 | 14,570 | 108,881 |
| Governance costs (note 6) | 23,608 | 3,647 | 27,255 |
| 2019 Total funds | 4,500,226 | 1,117,897 | 5,618,123 |

| | Activities, events and projects £ | Marketing & Development £ | 2018 £ |
|--|--|---------------------------------|------------------|
| <i>Adventurous training</i> | 180,805 | — | 180,805 |
| <i>Promotional activity (AGM dinner costs)</i> | — | 25,835 | 25,835 |
| <i>Cadet Force Music</i> | 71,528 | — | 71,528 |
| <i>Cadet Prospects costs</i> | 419 | — | 419 |
| <i>Expeditions and exchange costs</i> | 66,133 | — | 66,133 |
| <i>Duke of Edinburgh's award</i> | 34,608 | — | 34,608 |
| <i>Training development activity</i> | 51,903 | — | 51,903 |
| <i>First aid</i> | 23,136 | — | 23,136 |
| <i>Membership</i> | 638 | — | 638 |
| <i>Sport</i> | 109,013 | — | 109,013 |
| <i>General grants</i> | 133,361 | — | 133,361 |
| <i>Publicity and marketing</i> | — | 708,759 | 708,759 |
| <i>Salaries and wages</i> | 1,386,797 | 259,516 | 1,646,313 |
| <i>Training support costs</i> | 350,241 | — | 350,241 |
| | 2,408,582 | 994,110 | 3,402,692 |
| Cadet MIS | 496,447 | — | 496,447 |
| Support costs (note 5) | 110,595 | 18,293 | 128,888 |
| Governance costs (note 6) | 25,976 | 4,143 | 30,119 |
| 2018 Total funds | 3,041,600 | 1,016,546 | 4,058,146 |

4 Charitable activities (continued)

- ◆ General grants – ACFA provides financial grants to ACF Counties, Adult Volunteers and cadets for a wide variety of individual developmental needs including sports equipment, help to attend courses and expeditions, and travel costs. The increase is reflective of the additional LIBOR funds received.
- ◆ Sport – ACFA provides grants to ACFA Branches across the UK to assist them with the management and delivery of a wide variety of regional activities including sports. This figure also includes the costs of delivering national sports events across the UK involving thousands of cadets. Following careful negotiation funding for this purpose has again been secured and this is reflected in the steady spend in this area.
- ◆ Salaries and wages increased this year in line with the increase in staff numbers.
- ◆ Training Support Costs relate to projects identified in year for which money has been set aside from prior year underspend of the MoD grant.
- ◆ Cadet MIS Costs are shared by the Marine Society and Sea Cadets but some monies are passed to them by HQ Regional Command using ACFA as a conduit.
- ◆ Publicity & Marketing The budget for Publicity & Marketing has been steady as HQ Regional Command review the best way to deliver this activity.

5 Support costs

| | 2019 £ | 2018 £ |
|----------------------------------|----------------|----------------|
| Depreciation | 5,554 | 4,350 |
| Insurance | 20,709 | 23,982 |
| IT costs | 22,741 | 19,333 |
| Professional fees | 7,319 | 6,736 |
| Printing, postage and stationery | 23,973 | 23,530 |
| Staff costs (other) | 4,432 | 26,812 |
| Sundry costs | 1,239 | 1,949 |
| Travel | 22,914 | 22,196 |
| | 108,881 | 128,888 |

Support costs are allocated across the activities as shown in note 4 in proportion to the estimated time spent on those activities by support staff.

6 Governance

| | 2019 £ | 2018 £ |
|-----------------------|---------------|---------------|
| Audit and accountancy | 10,830 | 13,230 |
| Legal fees | 10,825 | 12,613 |
| Trustees' expenses | 4,600 | 4,276 |
| | 27,255 | 30,119 |

Governance costs are allocated across the activities as shown in note 4 in proportion to the estimated time spent on those activities by support staff.

7 Net income before gains (losses) on investments

This is stated after charging:

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Staff costs (note 8) | 1,841,022 | 1,651,405 |
| Auditor's remuneration (including VAT) | | |
| Current year audit services | 10,830 | 13,230 |
| Depreciation | 5,554 | 4,350 |
| Operating lease rentals - equipment | 6,564 | 6,693 |

8 Staff costs and remuneration of key management personnel

| | 2019 £ | 2018 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,558,634 | 1,409,764 |
| Social security costs | 150,935 | 136,948 |
| Pension costs | 112,156 | 100,292 |
| Redundancy costs | 19,297 | 4,401 |
| | 1,841,022 | 1,651,405 |

The charity employs a number of contracted staff on behalf of Army's HQ Regional Command. These staff work largely on the Cadet MIS and at the National Cadet Training Centre and have increased in number over the past three years.

During the year the number of employees earning £60,000 or more (including taxable benefits but excluding employer pension contributions) was as follows:

| | 2019 No. | 2018 No. |
|-------------------|-------------|-------------|
| £60,000 - £69,999 | 2 | 1 |
| £70,000 - £79,999 | 1 | 1 |

The charity contributes towards the provision of pension benefits for some employees at the rate of 10% per annum. The contributions payable were £112,156 (2018: £100,292). Of this total, £20,337 (2018: £13,965) were contributions payable in respect of these three (2018: two) employees earning more than £60,000.

The average number of employees for the year was 60 (2018: 54). The full time equivalent number of employees during the year was 51 (2018: 45).

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the trustees, the Chief Executive Officer, the Director of Finance, Operations and Training, and the Head of ACF Marketing and Communications. The total remuneration of the key management personnel for the year plus employer's national insurance contributions and including employers pension contributions was £249,420 (2018: £242,222).

8 Staff costs and remuneration of key management personnel (continued)

Neither the President, nor the Chairman, nor any other member of the Board of Trustees received any emoluments from the Association in respect of their duties as a trustee. The Board of Trustees comprised 17 members (2018: 16).

Nine (2018: seven) trustees were reimbursed £4,600 (2018: £4,276) for travel and subsistence costs.

9 Taxation

The Army Cadet Force Association is not liable to corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

10 Tangible fixed assets

| | Furniture, fixtures, fittings and computer equipment £ |
|---------------------------------|---|
| Cost | |
| At 1 April 2018 | 43,982 |
| Additions | 22,778 |
| At 31 March 2019 | <u>66,760</u> |
| Accumulated depreciation | |
| At 1 April 2018 | 8,301 |
| Charge for the year | 5,554 |
| At 31 March 2019 | <u>13,855</u> |
| Net book values | |
| At 31 March 2019 | <u>52,905</u> |
| At 31 March 2018 | <u>35,681</u> |

11 Fixed asset investments

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Listed investments | | |
| Market value at 1 April 2018 | 2,556,892 | 2,627,974 |
| Additions at cost | 1,102,264 | 1,900,695 |
| Disposals at book value (proceeds £1,053,340 ; losses £658) | (1,053,998) | (1,917,844) |
| Unrealised gains/(losses) | 178,094 | (53,933) |
| Market value at 31 March 2019 | <u>2,783,252</u> | 2,556,892 |
| Cash balances | | |
| Cash held for reinvestment | 27,633 | 94,969 |
| | <u>2,810,885</u> | <u>2,651,861</u> |
| Cost of listed investments at 31 March 2019 | <u>2,542,504</u> | 2,360,207 |

11 Fixed asset investments (continued)

Listed investments held at 31 March 2019 comprised the following:

| | 2019 £ | 2018 £ |
|-------------------------|------------------|------------------|
| UK fixed interest | 178,267 | 221,412 |
| UK equities | 325,028 | 497,443 |
| Overseas fixed interest | 172,313 | 79,401 |
| Overseas equities | 1,797,450 | 1,535,559 |
| Alternatives | 206,370 | 120,633 |
| Property funds | 103,824 | 102,444 |
| | 2,783,252 | 2,556,892 |

At 31 March 2019, there were no individual material holdings when compared to the total portfolio valuation as at that date:

| Holding | 2019 | | 2018 | |
|--------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | Market value of holding £ | Percentage of portfolio % | Market value of holding £ | Percentage of portfolio % |
| Findlay Park Funds | — | — | 139,542 | 5.5 |

All listed investments were dealt in on a recognised stock exchange.

12 Debtors

| | 2019 £ | 2018 £ |
|--------------------------------|---------------|---------------|
| Other debtors | 2,133 | 1,521 |
| Prepayments and accrued income | 14,936 | 38,327 |
| | 17,069 | 39,848 |

13 Creditors: amounts falling due within one year

| | 2019 £ | 2018 £ |
|-----------------------------|---------------|----------------|
| Trade and other creditors | 569 | 92,706 |
| Accruals | 10,800 | 15,828 |
| Deferred income (see below) | 27,167 | — |
| | 38,536 | 108,534 |

14 Creditors: amounts falling due after one year

| | 2019 £ | 2018 £ |
|-----------------------------|-----------|-----------|
| Deferred income (see below) | 27,711 | — |

14 Creditors: amounts falling due after one year (continued)

Included above are amounts received in advance as deferred income as set out below:

| | 2019 £ | 2018 £ |
|--|---------------|-----------|
| Deferred income brought forward at 1 April 2018 | — | 219,748 |
| Additional income deferred during the year – due within one year | 27,167 | — |
| Additional income deferred during the year – due after one year | 27,711 | — |
| Brought forward income released | — | (219,748) |
| Deferred income carried forward at 31 March 2019 | 54,878 | — |

15 Provision for liabilities

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Provision for pension scheme deficit reduction payments (note 19) | — | 364,983 |
| Payable within one year | — | 364,983 |

On 31 January 2018, the charity withdrew from the scheme and the full liability crystallised – refer to note 19.

16 Analysis of net assets between funds

| | General fund £ | Restricted funds £ | Total 2019 £ |
|---|-------------------------------|-----------------------------------|-----------------------------|
| Fund balances at 31 March 2019 are represented by: | | | |
| Tangible fixed assets | 52,905 | — | 52,905 |
| Fixed asset investments | 2,810,885 | — | 2,810,885 |
| Current assets | 1,135,362 | 13,949 | 1,149,311 |
| Creditors: amounts falling due within one year | (38,536) | — | (38,536) |
| Creditors: amounts falling due after more than one year | (27,711) | — | (27,711) |
| | 3,932,905 | 13,949 | 3,946,854 |
| | <i>General fund £</i> | <i>Restricted funds £</i> | <i>Total 2018 £</i> |
| Fund balances at 31 March 2018 are represented by: | | | |
| Tangible fixed assets | 35,681 | — | 35,681 |
| Fixed asset investments | 2,651,861 | — | 2,651,861 |
| Net current assets | 1,318,221 | 32,677 | 1,350,898 |
| Defined benefit pension plan | (364,983) | — | (364,983) |
| | 3,640,780 | 32,677 | 3,673,457 |

16 Analysis of net assets between funds (continued)

The total unrealised gains as at 31 March 2019 constitutes movements on revaluation and are as follows:

| | 2019 £ | 2018 £ |
|--|----------------|---------------|
| Unrealised gains included above: | | |
| On investments | 137,525 | 93,463 |
| Total unrealised gains at 31 March 2019 | 137,525 | 93,463 |
| Reconciliation of movements in unrealised gains | | |
| Unrealised gains at 1 April 2018 | 93,463 | 607,029 |
| Less: in respect to disposals in the year | (134,032) | (459,633) |
| | (40,569) | 147,396 |
| Add: net gains (losses) arising on revaluation in the year (note 12) | 178,094 | (53,933) |
| Total unrealised gains at 31 March 2019 | 137,525 | 93,463 |

17 Restricted funds

| | At 1 April 2018 £ | Income £ | Expenditure, gains and losses £ | Transfers £ | At 31 March 2019 £ |
|------------------------------|----------------------------|----------------|--|----------------|-----------------------------|
| Duke of Edinburgh Award fund | 4,036 | 11,933 | (17,240) | 1,271 | — |
| Cadet Music fund | — | 4,400 | (4,400) | — | — |
| Matthew Bacon Bursary fund | 2,325 | 9,509 | (6,575) | — | 5,259 |
| Cadet Sports fund | 26,316 | — | (23,580) | — | 2,736 |
| Chris Wood Memorial fund | — | 355 | — | — | 355 |
| Sailing fund | — | 151,128 | (145,529) | — | 5,599 |
| Community Cadets fund | — | 458,747 | (458,747) | — | — |
| | 32,677 | 636,072 | (656,071) | 1,271 | 13,949 |

| | At 1 April 2017 £ | Income £ | Expenditure, gains and losses £ | At 31 March 2018 £ |
|------------------------------|----------------------------|---------------|--|-----------------------------|
| Cadet Prospects fund | 419 | — | (419) | — |
| Duke of Edinburgh Award fund | 1,753 | 6,967 | (4,684) | 4,036 |
| Cadet Music fund | 5,273 | 3,400 | (8,673) | — |
| Mathew Bacon Bursary fund | 75 | 2,250 | — | 2,325 |
| Cadet Sports fund | — | 26,316 | — | 26,316 |
| | 7,520 | 38,933 | (13,776) | 32,677 |

Duke of Edinburgh Award fund

This fund is for use supporting ACF cadets and adult volunteers to undertake DofE awards.

Cadet Music fund

This fund is for use supporting ACF cadets to learn an instrument or take part in music performances around the world. Activities supported by this fund include instrument purchase, uniform purchase and support for cadets to travel overseas.

17 Restricted funds (continued)

Matthew Bacon Bursary fund

In September 2005 Major Matthew Bacon of the Intelligence Corps was tragically killed by a roadside bomb in Iraq. Major Bacon was a former Surrey ACF cadet as well as being a career soldier. He was a keen participant in many types of adventurous training, which also formed an important part of his life.

His parents, Mr and Mrs Roger Bacon, set up a Bursary in their son's name as a means of celebrating his life. The Bursary enables army cadets to take part in an Outward Bound Trust 'Skills for Life Award', which would otherwise be beyond their means.

Chris Wood Memorial fund

Colonel Chris Wood ACF had a long career in the Territorial Army and the ACF. His sudden death in August 2018 led to the creation of this fund to support adult volunteer leadership development.

Sailing fund

The exciting and rewarding Lord Dannatt Round Britain Challenge kicked off a renewed interest in sailing from Army Cadets. Aside from this wonderful activity a range of shorter sailing expeditions have been undertaken by cadets.

Community Cadets fund

The ACFA received nearly £460k of funds from a £1M LIBOR grant split between the community cadet forces. This funding has been carefully granted to counties across the whole of the UK to invest in equipment that will support cadet activity for many years to come.

Cadet Sports Fund

The sports fund exists to support cadet sport across the UK. A large portion of the fund related to the folding of the South West Sports Board in 2017 when the board decided to donate its entire assets to the Association for use in sport in the South West. The South West Sports Board was reconstituted in 2018 and the ACFA made an extraordinary grant to the new board in support of sport activity for army cadets in South West England.

Cadet Prospects fund

The Cadet Prospects fund represented monies set aside to provide an "alternative gateway" into employment for low academic achievers aged 16 – 18 whilst they were still enrolled in the ACF as a cadet. Following the decision of the Association Board of Trustees in March 2017 to stop this stream of activity and conduct a knowledge transfer to CVQO this fund closed early in the last financial year.

18 Financial commitments

At 31 March 2019 the Association had future minimum commitments under non-cancellable operating leases as follows:

| | Equipment | |
|------------------------------|---------------|---------------|
| | 2019 | 2018 |
| | £ | £ |
| Payments which fall due: | | |
| Due within one year | 6,564 | 6,564 |
| Due within one to two years | 6,564 | 6,564 |
| Due within two to five years | 4,923 | 11,486 |
| | 18,051 | 24,614 |

19 Pension obligations

Until 31 January 2018, the charity participated in the Pensions Trust Growth Plan.

During 2018, the trustees decided to withdraw from the scheme and the liability in respect of withdrawal crystallised on 31 January 2018. The debt on withdrawal was £359,683 plus related costs. The total liability on withdrawal was estimated at £364,983 and this was fully provided for at 31 March 2018.

In the year to 31 March 2019, the liability was fully paid.

20 Related party transactions

Other than the salaries of the key management personnel identified in note 8 there were two related party transactions (2018 – none) that required disclosure in the current reporting period. Michael Shallow, Trustee representing members in South West England, was recruited through open competition to the two year salaried post of IS Programme Manager. Remuneration of £20,227 was paid in the year. It transpired that by employing Michael Shallow in this role whilst he was still serving as a trustee the ACFA breached one of the administrative clauses in its constitution. Michael Shallow has consequently stood down as a trustee and full disclosure of the mistake has been made to the Charity Commission. Separately Hilary Williams, who stood down as Trustee representing members in North West England, was later recruited to the one year salaried post of Project Officer.

On occasion grants are awarded to counties at which trustees are adult volunteers. Decisions about who to award funds to are made in accordance with the grants policy and formally delegated authority. On the rare occasion a trustee or staff member's county has applied for a grant that individual is not party to the discussion of their county's application. If they normally have a part to play in the grants decision making process they will ensure that they are not involved in either the discussion or the decision. There were four related party transactions of this type relating to four regional trustees totalling £49,919 during the year which required disclosure.