

Action for Children Services Limited

Company Registration Number: 02332388

Report and financial statements

for the year ended 31 March 2020

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Action for Children Services Limited

Report and financial statements for the year ended 31 March 2020

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Action for Children Services Limited

Officers and professional advisers

Directors: Melanie Jane Armstrong
Carol Ann Iddon
Dawn Lesley Warwick

Secretary: Harindra Deepal Punchihewa

Registered Office: 3 The Boulevard
Ascot Road
Watford
WD18 8AG

Auditors: Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Bankers: HSBC Bank plc
Belgravia Branch
The Peak
333 Vauxhall Bridge Road
London
SW1V 1EJ

Action for Children Services Limited

Strategic Report

Business review

The Company's income comes mainly from local authority social services for the provision of welfare services for children and young people. Having grown turnover significantly in the prior year, it has remained relatively stable in 2019/20. Whilst the Company holds contracts with the local authorities it sub contracts the provision of the service to its parent Action for Children, a charity which specialises in the provision of welfare services for children and young people. Action for Children, in turn charges the Company for the provision of these services.

During 2019/20 the pressure on local authorities to fund children's services with ever tighter budgets has increased. In addition, the coronavirus pandemic has had a significant impact on the Company's activities and the people it supports. However, the company's turnover has remained in a stable position, and key contracts have continued to be renewed.

The Financial Statements reflect a prior year adjustment to the 2018/19 comparative figures. Further details are provided in note 15 on page 14.

Key performance indicators

KPI's for the current and prior year were as follows:

	19/20	18/19
Debtor Days	61	57
Gross margin %	12.7	7.4

Principal risks and uncertainties

The Company's market place is working with local authorities, and is subject to the risks and uncertainties they face, from budget pressures and changes in commissioning arrangements. The Company operates throughout the UK, and works with the differing commissioning arrangements in England, Scotland, Wales and Northern Ireland.

To manage these significant market changes, and ensure the sustainable provision of excellent services, Action for Children Services and its parent work to a strategy of developing targeted workstreams for its implementation.

The strategy looks to ensure Action for Children Services remains competitive, and continues to be viewed as preferred provider of services to the statutory public sector. The focus continues on early actions as the best way to help more children more effectively. The needs of children over residential care and mental health areas are being targeted. This is supported by proving the value of our services by showing the evidence of their reach and impact.

The operation of the business plan underpinning the strategy ensures risk assessments have been managed adequately.

Results and Future Developments

The Company made a profit of £6,635,679 for the year (2019: £4,054,050). All profits are paid under gift aid to Action for Children, and are recognised as distributions through equity when paid.

In the future, the company expects there to be a novation of contracts from Action for Children, the parent charity. This will lead to a growth in income over the coming years.

Approved by the Board of Directors 25 January 2021
and signed by order of the Board 28 January 2021



Harindra Punchihewa
Secretary

Action for Children Services Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2020

1 Activities

The company is a wholly owned trading subsidiary of Action for Children, a registered charity. During the year under review the activities undertaken by the company were the provision of welfare and educational services to local authorities, and other statutory bodies.

2 Directors

Melanie Jane Armstrong (from 11 September 2020)
Julie Sandra Bentley (to 29 February 2020)
Catherine Anne Guthrie (to 15 January 2021)
Carol Ann Iddon
Deborah Jayne Morgan (to 27 March 2020)
Harindra Deepal Punchihewa (from 19 March 2020)
Dawn Lesley Warwick (from 21 January 2021)

No director had any interest in the shares of the company.

3 Secretary

Emma Dickinson (Appointed 16 April 2019 Resigned 3 October 2019)
Linda Moira Malcolm (3 October 2019 appointed - Resigned 31 March 2020)
Harindra Deepal Punchihewa (from 30 April 2020)

4 Directors' statement of responsibilities

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

Action for Children Services Limited

Directors' report (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

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

5. Going concern

The impact of Covid 19 on the UK economy has affected most companies. Action for Children Services Limited's trading income comes mainly from local authorities contracts, the majority of which are in place beyond the next 12 months. Therefore the risk to income is minimal with the main impact being on the way the service was delivered. The company has increased its use of digital technology where possible, but small additional costs are sometimes incurred in situations where a child may be shielding and needing specific one to one contact. The PPE costs have also increased, but these increases are largely offset by reductions in other costs such as travel costs. As per the 'Results and Future Developments' section of the Strategic Report on page 2, growth in income is anticipated to 31 March 2022. This will come mainly from novation of contracts from Action for Children, the parent charity. The company has a strong balance sheet with net assets as at 31st March 2020 of £5.9m, and is forecasting profits over the next two financial years to 31 March 2022, with cash following a similar trajectory to the profits.

The Directors therefore consider that the company has adequate resources to continue in operational existence for a minimum of 12 months from the date these financial statements are signed. Accordingly, the financial statements have been prepared on a going concern basis.

Commentary on items such as the "Future Developments" narrative are not included within the Directors' Report because they have been included within the Strategic Report.

Approved by the Board of Directors 25 January 2021
and signed by order of the Board 28 January 2021



Harindra Punchihewa
Secretary

Action for Children Services Limited

Independent auditor's report to the members of Action for Children Services Limited

Opinion

We have audited the financial statements of Action for Children Services Limited (the 'company') for the year ended 31 March 2020, which comprise the Statement of income and retained earnings, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. 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 company's affairs as at 31 March 2020 and of its profit 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.

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 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.

- **The impact of macro-economic uncertainties on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Action for Children Services Limited

Independent auditor's report to the members of Action for Children Services Limited (ctd)

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and financial statements, 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

Action for Children Services Limited

Independent auditor's report to the members of Action for Children Services Limited (ctd)

- 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 3 and 4 the directors 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 directors 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 directors are responsible for assessing the 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 directors either intend to liquidate the 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
28 January 2021

Action for Children Services Limited**Statement of income and retained earnings for the year ended 31 March 2020**

	Note	2020 £	2019 £ As restated
Turnover	3(a)	52,331,011	54,904,372
Cost of sales		(45,677,985)	(50,837,578)
Gross profit		6,653,026	4,066,794
Operating expenses	6	(17,346)	(12,744)
Profit on ordinary activities before interest and tax		6,635,679	4,054,050
Investment income		-	-
Profit on ordinary activities before tax	6	6,635,679	4,054,050
Tax on result on ordinary activities	7	-	-
Profit on ordinary activities after taxation		6,635,679	4,054,050
Retained earnings brought forward as originally stated	4,743,970		2,788,013
Prior Year Adjustment	15 (689,920)		-
Retained earnings brought forward as restated		4,054,050	2,788,013
Donations under the gift aid scheme		(4,743,970)	(2,788,013)
Retained earnings carried forward		5,945,759	4,054,050

All income and expenditure derives from continuing operations. There are no recognised gains or losses in the current financial year or the preceding financial year other than as shown in the statement of income and retained earnings. There are no movements in shareholders' funds in the current financial year or the preceding financial year other than as shown in the statement of income and retained earnings.

The notes on pages 10 to 14 form part of these financial statements

Action for Children Services Limited**Statement of Financial Position as at 31 March 2020**

	Note	2020 £	2019 £ As restated
Current assets			
Debtors	8	11,307,145	11,401,890
Cash		-	-
		<u>11,307,145</u>	<u>11,401,890</u>
Creditors: amounts falling due within one year			
Other creditors	9	1,253,143	4,865,156
Accruals and deferred income	10	4,108,143	2,482,584
		<u>5,361,286</u>	<u>7,347,740</u>
Total assets less current liabilities		<u>5,945,859</u>	<u>4,054,150</u>
Share capital	11	100	100
Profit and loss account		<u>5,945,759</u>	<u>4,054,050</u>
Equity shareholders' funds		<u>5,945,859</u>	<u>4,054,150</u>

The notes on pages 10 to 14 form part of these financial statements

Approved by the Board of Directors 25 January 2021
Signed on behalf of the Board of Directors 28 January 2021

Melanie Armstrong

Melanie Armstrong

Carol Iddon

Carol Iddon

Company registration number: 02332388

Action for Children Services Limited

Notes to the financial statements for the year ended 31 March 2020

1 Company information

Action for Children Services Limited is a limited company incorporated in England and Wales and its registered office address is:
3 The Boulevard
Ascot Road
Watford
WD18 8AG

2 Basis of preparation

- (a) These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102)' and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention.
- (b) The financial statements are presented in Pounds Sterling.
- (c) Action for Children Services Limited has also adopted the following disclosure exemptions:
- the requirement to present a statement of cash flows and related notes
 - financial instrument disclosures, including:
 - categories of financial instruments,
 - items of income, expenses, gains or losses relating to financial instruments, and
 - exposure to and management of financial risks.
- (d) The Financial Statements have been restated to incorporate the impact of recognising income that should not have been in the prior year. Further details of this prior year adjustment is provided in note 15.
- (e) Going concern
- The impact of Covid 19 on the UK economy has affected most companies. Action for Children Services Limited's trading income comes mainly from local authorities contracts, the majority of which are in place beyond the next 12 months. Therefore the risk to income is minimal with the main impact being on the way the service was delivered. The company has increased its use of digital technology where possible, but small additional costs are sometimes incurred in situations where a child may be shielding and needing specific one to one contact. The PPE costs have also increased, but these increases are largely offset by reductions in other costs such as travel costs. As per the 'Results and Future Developments' section of the Strategic Report on page 2, growth in income is anticipated to 31 March 2022. This will come mainly from novation of contracts from Action for Children, the parent charity. The company has a strong balance sheet with net assets as at 31st March 2020 of £5.9m, and is forecasting profits over the next two financial years to 31 March 2022, with cash following a similar trajectory to the profits.

The Directors therefore consider that the company has adequate resources to continue in operational existence for a minimum of 12 months from the date these financial statements are signed. Accordingly, the financial statements have been prepared on a going concern basis.

Action for Children Services Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

3 Accounting policies

The particular accounting policies adopted are described below:

(a) Turnover

Turnover represents fees received for services provided under contracts and other income exclusive of Value Added Tax. All turnover arises in the UK and is recognised when services are rendered.

(b) Deferred income

Deferred income includes amount received in respect of contractual work to be undertaken in the next financial year.

(c) Operating expenses

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

(d) Retirement benefits

The company contributes to a variety of pension arrangements on behalf of staff. Most benefits are provided by the Action for Children Pension Fund, which includes the defined contribution elements relevant to the company.

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

(e) Cash equivalents

Cash equivalents are represented by cash balances held on a short term basis.

(f) Debtors

Trade and other debtors are recognised at the settlement amount. Prepayments are valued at the amount prepaid net of any trade discounts due

(g) Creditors and provisions

Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result on the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amounts after allowing for trade discounts due.

Action for Children Services Limited**Notes to the financial statements for the year ended 31 March 2020 (continued)****4 Judgements in applying accounting policies and key sources of estimation uncertainty**

Where income cannot be accurately measured, it is estimated according to professional judgement. Whilst these estimations are as accurate as possible, future subsequent events may prove otherwise and may therefore have an effect on future results. There are no other material judgements or estimates in the preparation of these financial statements.

5 Information regarding directors and employees

Staff costs comprise:	2020	2019
	£	£
Wages and salaries	250,675	251,184
Social security costs	26,353	26,356
Apprenticeship levy	1,169	1,176
Action for Children Pension Fund - defined contribution cost	19,397	22,661
	297,594	301,377

The average number of employees during the year was:	2020	2019
	No.	No.
Business Development	5	5
	5	5
Number of full time equivalents at year end	5	5

No staff were paid more than £60,000 in the year.

No director received any emoluments in respect of services to the company in either year.

6 Result on ordinary activities before taxation

	2020	2019
	£	£
Profit on ordinary activities before taxation is after charging:		
Auditors' remuneration - audit fees	17,346	12,034

Action for Children Services Limited**Notes to the financial statements for the year ended 31 March 2020 (continued)****7 Tax on result on ordinary activities**

	2020 £	2019 £
Current Tax:		
UK Corporation Tax at 19% (PY: 19%)	-	-
Reconciliation of tax charge:		
Profit on ordinary activities before tax	6,635,679	4,054,050
Tax on profit on ordinary activities at standard CT rate of 19.00% (PY: 19%)	1,260,779	770,270
Effects of:		
Qualifying charitable donation	(1,260,779)	(773,385)
Group Relief Surrendered	-	3,115
Tax charged / (credit) for the period	-	-

The full amount of taxable profits is gift aided to the parent charity.

8 Debtors

	2020 £	2019 £ As restated
Amounts due within one year:		
Trade receivables	8,734,985	8,567,832
Accrued income	1,196,419	339,227
Other debtors	-	196,661
Amounts owed by Action for Children	898,638	1,821,066
Amounts owed by Action for Children Trading Limited	477,103	477,104
	<u>11,307,145</u>	<u>11,401,890</u>

9 Other creditors

	2020 £	2019 £ As restated
Amounts due within one year:		
Bank overdraft	564	2,818
Trade payables	-	36,220
Taxation and social security	7,352	3,149,352
Other creditors	311,587	688,298
Amounts owed to Action for Children Developments Ltd.	933,639	988,468
	<u>1,253,143</u>	<u>4,865,156</u>

Action for Children Services Limited**Notes to the financial statements for the year ended 31 March 2020 (continued)****10 Accruals and deferred income**

	2020	2019
	£	£
Amounts due within one year:		
Accruals	15,861	12,736
Deferred income	4,092,282	2,469,848
	<u>4,108,143</u>	<u>2,482,584</u>

11 Called up share capital

	2020	2019
	£	£
Authorised, called up, allotted and fully paid:		
100 ordinary shares of £1	<u>100</u>	<u>100</u>

There are no restrictions on the distribution of dividends or repayment of capital in relation to these shares

12 Post Balance Sheet Events

Since the 31 March 2020 to the date of signing these financial statements, the outbreak of the coronavirus pandemic has had an economic effect across all sectors, and a significant impact on the company's activities and the people its supports. Nevertheless, the Company's operations have continued through the pandemic in accordance with the relevant local authority contracts.

13 Ultimate parent undertaking

The ultimate parent and controlling party is Action for Children, a charity registered in England and Wales, registration number 1097940, and Scotland, registration number SC038092. Action for Children is the smallest and largest group for which consolidated accounts are prepared. Copies of the group financial statements can be obtained from Action for Children, 3 The Boulevard, Ascot Road, Watford, WD18 8AG. Action for Children is a company limited by guarantee and its registration number is 04764232.

14 Related party transactions

The company has taken advantage of the exemption which is conferred by FRS 102 that allows it not to disclose transactions with group undertakings that are eliminated on consolidation.

15 Prior year adjustment

The financial statements have been restated to incorporate the impact of recognising income incorrectly in the prior year in relation to a particular contract. The result of this error was a misstatement of Turnover, Cost of sales, Trade Debtors and Creditors (Taxation and Social Security). The adjustment reduced retained earnings carried forward as at 31 March 2019 by £689,920.

Summary of the prior year accounting impact:

	£
Statement of income and retained earnings for the year ended 31 March 2019:	
Reduction in turnover	(8,624,000)
Reduction in cost of sales	7,934,080
	<u>(689,920)</u>
Statement of Financial Position at 31 March 2019:	
Reduction in Trade Debtors	(1,645,000)
Reduction in Taxation and Social Security	1,645,000
Reduction in Amounts owed by Action for Children	(689,920)
	<u>(689,920)</u>