

# Trustees' Report and Accounts 2018



**Capability Scotland**

**Trustees' Report and Accounts 2018**

**Capability Scotland**

**Company Number SC036524**

**Scottish Charity Number SC011330**Capability Scotland

## **Trustees' Report and Accounts for the year ended 31 March 2018**

### **Objectives and Activities**

Our vision is that - *Capability Scotland is here for disabled people and strives to be a major ally in supporting disabled people to have full equality of opportunity and participation as citizens.*

Our aim is to meet the needs of every individual customer and to support them through their transitions in life to realise their aspirations and achieve their full potential by the delivery of specialist high quality services.

To achieve our aims and objectives we provide education, care and support to disabled children, young people and adults with the most complex needs through the provision of day and residential schools, residential care, housing support services, care in people's own homes and a range of creative and exciting day opportunities in the community and in buildings.

We promote independence and quality of life for disabled people throughout their lives through the application of our specialist knowledge and the delivery of our broad range of flexible services. We also campaign with disabled people on common areas of concern.

To enable us to continue to achieve these objectives and activities, and add value to the services we deliver, we undertake voluntary fundraising activities and operate a small chain of charity shops.

### **Strategic Report**

2017/18 was the last year of our current five-year Strategic Plan. This Plan had three key directions:

- Appropriate and economically viable services
- Growth through focus on intensity and complexity
- Exert effective influence around core activity

and five strategic objectives:

- Develop our capacity to respond to self-directed support
- Modernise and develop our services
- Develop a sustainable education service
- Invest in our future
- Position ourselves to maximise impact

The Trustees are pleased to report that the implementation of our five-year Strategic Plan has contributed significantly to the ongoing success of the organisation, as well as being critical in securing its long-term viability. This is despite a very challenging external environment that has seen the continuation of the austerity agenda to the detriment of social care in Scotland, with the related, unprecedented pressure on costs and income.

The Trustees continue to receive information and feedback throughout the year to scrutinise performance and measure success in meeting the charity's aims and objectives. These include detailed reports and risk assessments, service quality indicators, customer feedback, external feedback including Care Inspectorate reports and financial monitoring reports. These reports are scrutinised by the Main Board and its Sub-Committees (Finance and Audit and Service Quality) with matters referred to the respective Sub-Committees, as required, for additional oversight, monitoring and action.

The Trustees receive feedback directly from those we support through our Customer Advisory Group. Its work with the Main Board, putting forward and responding to issues that affect the wider customer group, provides the Trustees with invaluable insight into the impact our services have on the people we support. The Have Your Say Group, a representative body of those who use our services, provides a mechanism to ensure that the Trustees and senior management hear the voice of our customers and that we hear this first hand. Both Groups feed directly into the review of the organisational strategy and their comments and suggestions have been instrumental in informing the future strategic direction.

In February 2018, the Office of the Scottish Charity Regulator (OSCR) contacted all Scottish charities and asked them to review their Safeguarding policies, practices and procedures in light of recent reports of abuse connected to some charities working in the international aid sector. In response, the Trustees considered a comprehensive review of the organisation's Safeguarding Framework prepared by the Executive Management Board. The Trustees acknowledged the considerable work done to date regarding the safeguarding of vulnerable beneficiaries, volunteers and staff and asked that a number of steps be taken to enhance the current Safeguarding Framework. This includes the development of a new Values Statement for all beneficiaries, volunteers and staff. In May 2018, OSCR published its *'Interim Safeguarding Guidance: Keeping vulnerable beneficiaries safe'*, which provided further information on Safeguarding, Charity Trustees' duties and OSCR's Regulatory Role.

As in previous years, the Trustees acknowledge the amount and speed of change that the organisation faces on an ongoing basis. However, they are committed to continue to drive forward with the need to modernise and develop our services despite the challenging financial and regulatory environment in which we operate. Resources, over and above those generated from our normal activities, have been invested strategically to ensure that our plans are implemented in an effective manner.

The Trustees recognise the contribution made by our dedicated volunteers. We acknowledge the tremendous amount of time and expertise that volunteers make to raising funds through their participation in events and other activities and to all those who support our shops and services.

### **Achievements and Performance**

The number of children, young people and adults supported through our services and projects was broadly in line with the previous year. We support a core group of children, young people and adults through our direct service provision. This can vary from a few hours of support each week from a community enablement

service through to being resident at one of our residential care homes or 'living-in' at Stanmore House School.

We are seeing an increase in demand for our support services across the country. Whilst we contract directly with nine key Local Authority/Health and Social Care Partnerships and have services based in these areas, there are further spot-purchase contracts with another 20 Local Authorities. Both our schools and care homes support children and adults from a wide range of areas and operate as national services.

Within our services, no two people's support packages are the same, and this is increasingly the case as we respond flexibly to people's individual needs and outcomes and self-directed support expectations and requirements. Our models of care are designed to ensure that they are able to provide flexible and responsive education, care and support based on individual needs and aspirations.

There is additional complexity as each Local Authority/Health and Social Care Partnership has interpreted self-directed support slightly differently. We are now operating with a multiplicity of funding arrangements across the country, and sometimes even in the same area. Included in note 2 to the accounts is a breakdown of the income received for the services we provide.

The organisation requires to remain flexible in its ability to contract with Local Authorities/Health and Social Care Partnerships through a variety of funding mechanisms. We still have a small number of services that are contracted through historic 'block contract' arrangements, whilst others are dependent on packages of support secured from our placement on Local Authority/Health and Social Care Partnership Frameworks. We have also secured a place on two national Frameworks managed by Scotland Excel and at the same time need to be responsive to individual customers who wish to contract with us, as they have a 'direct payment' and want Capability Scotland to be their provider of choice.

These contractual arrangements have allowed us to move forward locally in building solid foundations on which to deliver the best possible packages of care for individual customers. Following the modernisation of our Edinburgh Service, we were successful in securing first place on the City of Edinburgh's Framework for Day Opportunity Services for building-based support. This has enabled us to build on the new model through securing increased packages of support for a number of our individual customers, as well as attracting some new customers. The support on offer has been greatly enhanced by the significant investment in the new facilities and the addition of the community-based element of the service. We are pleased that the service is now providing support to meet people's needs in purpose-built facilities and is underpinned by a sustainable funding model.

Both of the new Community Hubs in Edinburgh were inspected by the Care Inspectorate during 2017/2018 and were awarded the following grades:

Craigmillar:	Environment - 6	Care and Support - 5
Riccarton:	Environment - 6	Care and Support - 6

These are excellent grades following the transition from the former model and premises. The grades awarded for environment again demonstrate the significant impact the investment in the new properties has had on both services.

Similarly, in Dundee our investment in the new Community Hub has enabled us to develop an exciting range of support services for children, families and adults from across the city. Our North Lanarkshire Enablement Service continues to be a priority given the volume and value of the service and the complex needs of the individual customers supported throughout the area.

Within our care homes, demand continues to be very high and we are pleased to note that both Wallace Court and Lanarkshire Houses are full. Wallace Court is continuing to develop new and exciting ways to support the people who live there to achieve their outcomes with an extensive activities' programme now in place in the care home and throughout the local community. Wallace Court also added an outdoor sensory area to its range of facilities thanks to the generosity of parents, carers and its many supporters.

At Lanarkshire Houses, our plans have been focused on a refurbishment of the individual flats that make up the care home. This refurbishment will again see a significant investment to provide facilities that meet the ever-changing needs of the customers who live there including new fully accessible bathrooms and kitchens.

In February 2018, our specialist care home, Upper Springland in Perth, had an opening ceremony for its fully accessible gym. This marked the culmination of 4 years' work to raise funds to purchase a full range of specialist equipment. The Care Inspectorate inspected Upper Springland in December 2017; the grades awarded were 6 (Staffing), 5 (Care and Support) and 5 (Management and Leadership). This is a considerable achievement and recognises the steady progress being made in the quality of care and support provided at Upper Springland.

Throughout 2017/2018, we continued to prioritise the development of our Schools to meet the needs of children and young people with complex additional support needs. Both Stanmore House and Corseford Schools are supported through the Scottish Government's Grant Aided Special Schools (GASS) programme. They continue to provide vital education, care and support and allied health provision in accordance with legislative and policy drivers, principally Curriculum for Excellence. They aim to achieve outcomes for the children and young people in line with the principles of GIRFEC and SHANNARI.

The senior management teams at both schools have been strengthened with the appointment of Depute Head Teachers and a Head of Care and Health. We also appointed an Executive Head Teacher who will join us in August 2018. In line with Scottish Government expectations, both Schools have detailed School Improvement Plans in place and are working closely with Education Scotland to ensure that we are able to continue to grow and develop our education provision.

Within our Schools, we are constantly seeking new ways with which to enable our pupils to access their educational entitlements. We have invested heavily in support and development for our teaching and care staff including the provision of

bespoke training on Safeguarding and Child Protection. Other developments in 2017/2018 have included a refocusing of the Information Technology staff on Assistive Technology, with a resultant investment in enhanced ways of working and involvement of these staff in the assessment and support of our pupils in their day-to-day learning. We have also developed our partnership with the wider communities and are seeking further ways to enhance our equality and diversity work in line with the Schools' Equality and Diversity Action Plans.

As in previous years, this section on achievements and performance demonstrates our Trustees' confidence and investment in the future. Where services have no longer proved sustainable, whether because of contractual changes, funding pressures or outdated models, the Trustees have taken the difficult decision not to renew or continue contracts. For example, in 2017/2018 we decided to withdraw from Welfare to Work employment support contracts due to the lack of strategic fit and the increasingly competitive market. A detailed management plan is being put in place to deliver a phased withdrawal from the remaining contracts during 2018/2019. Similarly, in 2017/2018, West Lothian Advice Service and East Lothian Local Area Co-ordination Service were closed because of changes brought about by the ever-changing contractual environment in which we operate.

In Renfrewshire, after considerable discussion and negotiations with the Local Authority and Health and Social Care Partnership over many years regarding the future of the day services at Whitehaugh and West Lane Gardens, we reluctantly served notice on the existing contract in July 2017. Following a sustained campaign on the part of the customers and carers of the services, it has been agreed that both services should remain open until 31 March 2019. The Health and Social Care Partnership has agreed to this extension to enable the customers to transition to other services and will deficit fund the services through to 31 March 2019.

The Trustees recognise and appreciate that the closure of any service is both challenging and upsetting for our customers, staff and the organisation. However, in each situation we have worked closely with our customers, carers, staff and Local Authorities/Health and Social Care Partnerships to ensure that transition arrangements are in place and, where possible, alternative provision has been arranged.

During 2017/2018, we continued with our commitment to the improvement and development of our existing services. This internal quality agenda saw a significant amount of work during the year including the review of a number of key policies and procedures. We also introduced our new Quality and Improvement Framework as the foundation document in our transition from the previous Quality Management System (ISO 9001) to the European Framework for Quality Management (EFQM).

Of our eighteen registered care services, sixteen were inspected during 2017/2018. Of these, twelve achieved grades of 5 or more ('very good'), with four receiving at least one grade 6 ('excellent'). Only two services received grade 3 assessments (adequate) and these are subject to close internal scrutiny to ensure ongoing improvement work is prioritised. As part of the Care Inspectorate Inspection Regime, each service requires to have an Improvement and Development Plan in place and this is considered as part of the inspection rather than the former self-evaluation process.

Within Capability Scotland, we have adopted this Improvement and Development Plan approach to drive forward our internal commitment to the continuous development of quality services that are focused on meeting the needs of our individual customers.

During 2017/2018, we undertook a comprehensive review of our arrangements relating to Guardianship and Adults with Incapacity for all our adult customers. We worked with the Office for the Public Guardian to ensure that our procedures are robust and to maximise individual choice and control whilst at the same time ensuring personal safety at all times.

Investment in staff training and development is a key priority for the organisation. In 2017/18, a further 26 staff were supported to undertake their Scottish Vocational Qualifications (SVQs) with 20 completing their SVQs within the year. We have also reviewed our arrangements for the delivery of SVQs. Staff are now able to access funded placements through a number of local colleges, rather than being delivered at a central location. This allows staff easier access to nationally recognised qualifications whilst improving their care practice. In addition, staff attended over 3,500 training events on a wide variety of diverse subjects reflecting the increasingly complex needs of our customers.

Fundraising activity in 2017/2018 continued to demonstrate the valuable support of many companies and individuals to the work of Capability Scotland. Within this income stream, legacies remained a significant source of voluntary income for Capability Scotland. Our team of committed individual supporters yet again saw our many fundraising volunteers take part in a range of fundraising events including abseils and marathons. They also supported us by responding generously to regular seasonal appeals.

Companies and Organisations – in 2017/2018, we were delighted to re-commit to our partnership with Scope and Virgin Media. This new partnership is for a four-year period and focusses on the development of micro-enterprise for customers within the organisation. The £160,000 funding secured will initially be used to develop the micro-enterprise art and craft work at our Craigmillar Hub in Edinburgh. Following this, the approach will then be rolled out to other services where it has been identified as potentially adding value.

Grants and Trusts - fundraising in Edinburgh received a further boost when we secured £40,000 from the KMF Maxwell Stuart Trust to develop the sensory gardens at the Riccarton Hub. Plans are currently being developed and we are looking forward to the sensory gardens being available for all of our customers at the service to enjoy.

During the year, our Trustees have continued to focus on the challenging trading environment facing our shops. Our Shops Strategy was reviewed and another shop was closed.

Capability Scotland's network of charity shops relies on our volunteers in order to function effectively. The volume of work involved in stocking and selling from a charity shop far exceeds that of a normal retailing operation. Put simply we could not operate without the commitment of our volunteers who collectively give over



720 hours per week across the remaining 11 shops. We recognise this incredible commitment and a strong relationship between paid staff and volunteers is key to the success of any Capability Scotland shop.

### **Financial Review**

The Trustees note that the financial performance in the year resulted in a surplus of £406,376, compared to a deficit of £168,707 in 2016/17. As noted earlier, the organisation continues to operate in an extremely challenging economic environment. However, we were successful in securing increased income from some Local Authority/Health and Social Care Partnership funders and through a concerted management effort we achieved a significant reduction in agency spend. It was also the last year of pay protection for those staff negatively impacted by the outcome of Job Evaluation.

The need to change and invest for the future has been recognised and the resulting ambitious modernisation programme continued to be implemented in the year. The Trustees are focused on ensuring that the organisation remains financially sustainable in the long term.

Total income for the year was £24,294,721. This is £809,227 less than the previous year. Income from Charitable Activities for the delivery of services to disabled people increased year on year by £37,423 at £22,179,975. An analysis of funding source and activity can be found in Note 2 to the Accounts. No income was received during the year from the disposal of property, which is £904,514 less than 2016/17.

Fundraising income this year was £1,045,581, an increase of £69,140, with legacies up by 26.6% and income from donations and gifts falling 3.2%. The costs associated with raising funds reduced by £86,387 (32.8%) over the previous year (see Note 3).

The Trustees are extremely grateful to the many individual supporters who remember Capability Scotland in their wills along with all those who provide financial support on an ongoing basis. We also acknowledge the tremendous amount of time and expertise that our dedicated volunteers contribute to generating donations. Our volunteers ensure that a sustainable level of fundraised income is received through their work in our shops, collection cans and participation in events.

The organisation continues to operate shops that generate income from donated goods. As previously reported, a number of our high street shops were inherited in 2000 from Scope, a charity registered in England and Wales. For the majority of these shops we are committed to ongoing leases. The Trustees continue to take action to address the financial performance of our charity shops and 2017/2018 saw the closure of another shop with 11 shops trading at the year-end date. Shops income for 2017/18 was £709,420, which is a reduction of £168,902 (19.2%) on the previous year. Operating expenditure for the Shops was £792,549 for the year; a reduction of £125,562 (13.7%) compared to 2016/17. This resulted in an £83,129 deficit on trading activities for 2017/18 (2016/17 £39,789 deficit). The deficit after the cost of dilapidations and external repairs (£90,777) incurred during the year was £173,906.

Total expenditure reduced by £1,384,310 (5.5%) over the previous year. Reductions

in the cost of delivering services of £1,263,138 was supplemented by the reductions in Fundraising and Shops as outlined above. The continued impact of Job Evaluation and the payment to our front-line staff of £9 per hour saw our need to use Agency staff reduce by 33.6% to £879,730. Included in expenditure are support costs of £1,550,958, a reduction of £113,467 compared to 2016/2017.

The final salary pension scheme valuation under FRS102 rules, which shows a positive position of £4,638,000, has not been recognised as an asset because the scheme is now closed. The Trustees have plans in place to ensure the full triennial valuation liability is managed while securing members' benefits.

### **Reserves Policy**

The Trustees hold reserves in order to provide the necessary working capital to carry out our activities and to provide protection against adverse financial circumstances in the future. Our policy is to hold the sum of net current assets attributable to unrestricted funds (note 11(d)) being equivalent to three months' expenditure. At 31 March 2018, free unrestricted net current assets, expressed as current assets less current liabilities (note 11(d)), totalled £2,716,092, which is 45% of the target amount. This compares to £2,080,153 and 33% in 2016/2017. The Trustees will continue to take action to improve the financial position of the organisation and to build up the free reserves position in line with our stated policy. At 31 March 2018, restricted funds totalled £927,390.

At the year-end date, the Trustees undertook a thorough review of funds previously designated and considered areas where funds are required to be designated for future expenditure. The Trustees agreed to retain the level of previously Designated Funds and can confirm that plans are in place to spend all Designated Funds.

### **Plans for the Future**

As noted earlier, 2017/2018 was the last year of our current five-year Strategic Plan. The final year focused on the continued implementation of our plans to meet our five strategic objectives and consolidating and building on the considerable modernisation and development work undertaken in the previous years.

During 2017/2018, the Trustees and Executive Management Board commenced a comprehensive review and planning process in order to develop a robust Strategic Plan for the organisation for the next five years. This process included discussions with our individual customers and representatives of Local Authorities and Health and Social Care Partnerships to assess what was seen as positive about the care, support and education that we currently provide and any potential improvements and developments they believed could be made.

We undertook a market analysis exercise to identify any new or emerging trends in need for disabled people in Scotland and variations in provision in different geographical areas. Our quality indicators were analysed from external regulation and contractual information, both historic and current. Internal discussions were also held with our managers, staff, Customer Advisory Group, Have Your Say Group and trade union partners.

The Trustees recognised the significant achievement in meeting the strategic objectives set in 2012, particularly in relation to the modernisation of services and maximising impact and a response to national pressures, such as community living services and self-directed support.

The Trustees identified the following objectives for a new Strategic Plan 2018 – 2023:

- To provide exemplary care, support and education with lifelong progress and continuous improvement.
- To be ambitious for our customers and staff and be responsive to their needs.
- To demonstrate and evidence the achievement of outcomes.
- To empower our customers to have a voice.
- To ensure long-term sustainability by maximising income and delivering efficiencies.

Future planning should:

- Continue to modernise and develop our delivery of care, support and education, and improve our existing models of provision where required.
- Focus on growth through the development of a range of new models to meet individual needs
- Develop long-term plans for Upper Springland and our Schools and support these using best practice and benchmarking.
- Develop a 5-year Funding Plan to underpin the delivery of the Strategic Plan.
- Adopt and support the use of new technology to improve the customer experience.
- Continue to take action on any loss-making parts of our business.
- Have continued good governance through the Main Board, Finance and Audit Committee and Service Quality Committee.

The challenging financial climate nationally and locally will have an impact on deliverables, as organisations are required to do 'more for less' meeting customer aspirations with reducing financial support. The organisation's ability to respond is limited by the real cost of providing exemplary care, support and education with significant financial pressures and recruitment challenges facing the Third Sector in Scotland.

We will continue to ensure that our 'back office' and corporate functions are fully aligned to supporting and improving the delivery of exemplary care, support and education to customers in line with our regulatory, statutory and contractual obligations. These functions have to be flexible, cost-effective and proportionate to our changing organisation and regulatory environment. Similarly, we have recognised that there is an opportunity to adopt and support the use of new technology across every aspect of the organisation. In 2018/2019, we are introducing an e-learning system that will enable staff to access training quicker and more flexibly than before. This will allow us to offer a much wider range of learning resources and opportunities for staff development.

## **Risk Management**

The Trustees have reviewed the Register of Risks, looking into specific risk areas and sought assurance that awareness of risk is embedded in our planning and operations. The Main Board has received reports and is satisfied that systems are in place to mitigate our exposure to the major risks.

The Trustees recognise our main areas of risk are around the pressure on available public funds and the effect that this is having on our ability to continue to deliver high quality individualised services. Similarly, we acknowledge the risks associated with providing care, support and education to very vulnerable people and ensuring that our staff are fully trained and supported in this challenging role. Our policy and procedural framework, supported by safer recruitment, training and supervision ensures we have the best practice safeguards in place. Our customer involvement processes, whistle blowing procedure and oversight by regulatory bodies and our Service Quality Committee, a sub-committee of the Main Board, provide further assurance in this area.

OSCR emphasised that it is important that charity trustees develop an organisational culture that has safeguarding at its core. During 2018/2019, we will continue to prioritise work on the safeguarding of vulnerable beneficiaries, staff and volunteers in line with the Safeguarding Review already considered by the Trustees and OSCR's *'Interim Safeguarding Guidance: Keeping vulnerable beneficiaries safe'* issued in May 2018.

The Trustees have systems and controls in place to ensure that appropriate measures and actions are taken to manage and reduce the impact of the risks identified. The reduction in funding for services, particularly through no inflationary awards and Framework Agreements that see downward price pressure, continue to be addressed through concerted management action including continued negotiation with Local Authorities/Health and Social Care Partnerships, our modernisation programme, investment in ICT infrastructure and systems and our financial management controls, including budget management and financial reporting.

In respect of funding for the two Grant Aided Special Schools (GASS), the Scottish Government has advised an intent to 'move to strategic commissioning of services for children with complex additional support needs in the financial year 2020/2021 and that we will be kept informed of developments. There is a risk that 'ring-fencing' of these funds could be removed, that use of funding could be made more prescriptive and that the amounts received could be subject to cuts.

The application of the European Union's General Data Protection Regulation (GDPR) from 25 May 2018 will have a significant impact on how we manage data. The increased safeguards that are being introduced, along with the associated extended rights, help to protect our customers, our staff and those who support us. These changes have given us the opportunity to review our current practices and make any improvements.

We commissioned an external audit and created an action plan based upon the outcomes. We have reviewed and significantly updated our Data Protection Policy and contracts and have prepared detailed privacy statements for our

customers, staff and donors. We have created new policies on areas such as Subject Access Requests to give managers, staff and customers clear guidance on their rights and responsibilities.

The increased safeguards will require additional training for staff, improved systems and, most importantly, ongoing vigilance concerning respecting and protecting personal data. We will reiterate these to our staff and ensure this becomes an integral part of our working practices. We will also review our implementation of the GDPR requirements to assess the ongoing effectiveness. This work will be scrutinised by the Finance and Audit Committee, which will in turn report to the Main Board

### **Employees**

We have an Equal Opportunities policy and procedures which ensure that no job applicant or employee (on a paid or voluntary basis) receives less favourable treatment than others on the grounds of disability, HIV status, race, nationality, religion, sex, age, marital status, sexuality or responsibility for dependants. This covers recruitment, training, career development and promotion. We ensure that all employees have equal access to the same opportunities.

Our Equality and Diversity policy recognises the importance of taking a positive approach to equality and diversity. We demonstrate this through our commitment to the Disability Confident Standard, which is the successor to the Positive About Disability scheme.

As part of our commitment to Equality and Diversity, we introduced an Equal Pay Policy and this year will see the first annual audit.

In March 2018, we published our Gender Pay Gap figures in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Our Gender Pay gap figures show an average gap of 5.8%.

### **Staff Information and Involvement**

Staff involvement is key at Capability Scotland. We have mechanisms in place to ensure staff and their representatives have opportunities to contribute when key decisions are being discussed. This has included a new Recognition and Procedural Agreement with our five trade union partners (Unison, Unite, Royal College of Nurses, Educational Institute of Scotland and the Chartered Society of Physiotherapists). This Agreement improves our previous consultation arrangements and ensures regular communication with our Executive Management Board to discuss organisational matters.

As part of this agreement, we have created individual negotiating forums with the respective unions that allow focused discussions on the matters that impact upon the different staffing groups. This increased dialogue will help to improve communication and feedback between management, representatives and staff. For example, we are currently in discussion with our trade union partners regarding adopting a common approach to addressing Violence at Work.

The first success under the agreement is the joint commitment to implement the

Fair Work Framework, an externally recognised framework supported by the Scottish Government to ensure employment practices support the vision of people in Scotland having world-leading working lives.

Both of these initiatives not only help to improve our practices within Capability Scotland, which benefits our customers and staff, they also demonstrate what can be achieved through partnership working.

As noted earlier, we will undertake a staff engagement project in 2018/19 to develop a Values Statement for the organisation. This will involve staff working across our services and central support teams to ensure that as many individual staff as possible can participate and contribute to the development of our new Values Statement.

At Capability Scotland, we are committed to ensuring a positive health and safety culture. Our Health and Safety policies and procedures are continually reviewed to ensure a safe environment for customers and staff and to meet legislative requirements. The Health and Safety Committee comprised of management and union appointed representatives is how we inform and consult staff about health and safety matters. The Committee has a wide remit to discuss any issue or concern that impact on health and safety and to identify or make recommendations for improvement.

## **Structure, Governance and Management**

### **Governing Document**

Capability Scotland is a company limited by guarantee, governed by its Memorandum and Articles of Association dated 5 June 1961 and altered by special resolutions passed on 8 October 1997, 11 October 2006, 8 October 2008 and 7 December 2017.

It is registered as a charity with the Office of the Scottish Charity Regulator and recognised as a charity by HMRC. The membership of Capability Scotland shall not exceed 300 and the power to admit new members is exercisable only by the Main Board.

As set out in the governing document, the main objectives for which the organisation is established are to "promote, initiate, plan or assist schemes or activities directed towards the well-being of persons suffering from cerebral palsy and allied conditions".

Members are required to contribute an amount not exceeding £1 in the event of the charity winding up.

### **Appointment of Trustees**

As set out in the Articles of Association, members of the Main Board nominate the Chair of the Main Board. The Main Board consists of not less than five members. One third of the membership of the Main Board will retire from office each year but are eligible for reappointment at the Annual General Meeting. The Main Board has the power to co-opt additional members of the Main Board. In the past year, one

member resigned and three new members were recruited to the Main Board, including the new chair of the Finance and Audit Committee.

The members are circulated with invitations to nominate Trustees prior to the Annual General Meeting advising them of the retiring Trustees and requesting nominations for the Annual General Meeting

#### **Trustees' Induction and Training**

New Trustees are appointed to fill Main Board vacancies and are recruited on the basis that their skills and expertise will be utilised in the furtherance of the charity's objectives. The new Trustees undergo an induction period to advise them of their legal obligations under Charity and Company law, the contents of the Memorandum and Articles of Association, the Committee and decision-making process, the Strategic Plan and recent financial performance of the charity. During this induction period, they meet key employees and other Main Board members. Trustees, supported by key management personnel, maintain and develop their skills and knowledge on an ongoing basis.

#### **Organisation**

The Main Board administers the charity on behalf of its members. The Main Board usually meets four times in each calendar year and there are subsidiary committees covering Finance and Audit, Remuneration and Service Quality that meet as required. The Main Board will establish new committees as and when appropriate to provide advice and assistance to the Main Board and the Chief Executive. The Chief Executive is appointed by the Main Board to manage the day-to-day operation of the charity.

The Trustees delegate authority for operational matters to the Chief Executive who is supported by an Executive Management Board consisting of key management personnel. The Chief Executive has delegated authority from the Main Board for operational matters including finance, employment, service delivery, fundraising and development.

#### **Key Management Personnel Remuneration**

The Remuneration Committee, a sub-committee of the Main Board, is responsible for setting pay and remuneration for key management personnel. The Remuneration Committee commissioned an external consultant to carry out a Job Evaluation and benchmarking exercise for this group of key management personnel. The outcome of that process was accepted as an appropriate and suitable framework for setting pay for this group. One annual increase in salaries has been awarded since 2009.

#### **Related Parties**

The charity has a wholly owned subsidiary, Capability Scotland Trading Ltd., which sells bought goods, with the income generated being made available to the charity for the furtherance of its charitable objectives. The charity's subsidiary Trading Company did not trade during the year.

## **Reference and Administrative Information**

<b>Charity number</b>	SCO11330
<b>Company number</b>	SCO36524
<b>Registered Office</b>	c/o Morton Fraser LLP, 2 Lister Square, Edinburgh, EH3 9GL
<b>Company Secretary</b>	Morton Fraser Secretaries Limited
<b>Auditors</b>	Henderson Loggie, 11-15 Thistle Street, Edinburgh, EH2 1DF

### **Bankers**

The Royal Bank of Scotland, 36 St Andrew Square, Edinburgh, EH2 2YB

### **Solicitors**

Morton Fraser LLP Solicitors, 2 Lister Square, Edinburgh, EH3 9GL

Brodies LLP Solicitors, 2 Blythswood Square, Glasgow, G2 4AD

Turcan Connell, Princes Exchange, 1 Earl Grey Street, Edinburgh, EH3 9EE

## **Committee Members and Officials**

### **Patron**

His Royal Highness the Duke of Edinburgh KG KT GBE

### **President**

The Rt Hon. the Lord Hardie QC

### **Honorary Life Members**

Mr A A Graham CA

Mr G D Holmes CB FRSE FICFor

Mr J Sinclair

## **Main Board of Trustees**

### **Chair** Mr D Currie

Professor A Cameron CBE

Dr J Elder-Woodward OBE

Mr J d'Aguilar (resigned 22 March 2018)

Mr C Gilmour

Professor A Waller OBE

Mr M Mccarron

Mr C Johnston (appointed 29 September 2017)

Ms E Davie (appointed 7 December 2017)

Mr M Payton (appointed 7 December 2017)

None of the above had any interest in any group company at any time in the year.

For the purposes of the Companies Act 2006, the Trustees of the charity are the directors of the company



**Senior Management Personnel**

The Chief Executive is appointed by the Main Board to manage the day-to-day operation of the charity. To facilitate effective operation, the Chief Executive has delegated authority, within terms of delegation approved by the Main Board, for all operational matters.

**Chief Executive**

Dana O'Dwyer

**Director of Services and Development**

Charlie McMillan

**Director of Human Resources**

Linda Fowler (resigned 25 August 2017)

**Statement of Trustees' Responsibilities**

Law applicable to incorporated charities in Scotland requires the Main Board to prepare a Trustees' Report and Accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the group at the end of the year and of its financial activities, including its income and expenditure during the year then ended. In preparing those financial statements, the Main Board are required to:

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

In determining how amounts are presented within items in the statement of financial activities and balance sheet, the Trustees must have regard to the substance of the reported transactions or arrangement, in accordance with generally accepted accounting principles or practice.

The Main Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

At the time of approving this report, the Trustees are aware of no relevant audit information of which the company's auditors are unaware and have taken all steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

The Annual Report is signed by the Chair on behalf of the Main Board of Trustees. The Trustees also approve the Strategic Report, which is contained within the Annual Report, in their capacity as company directors.



By order of the Main Board  
D Currie  
Chair

28 June 2018

Registered Office: Capability Scotland, c/o Morton Fraser LLP Solicitors, 2 Lister Square, Edinburgh, EH3 9GL

Capability Scotland is a company limited by guarantee, registered in Scotland, number SC036524. It is registered with the Office of the Scottish Charity Regulator as a Scottish Charity, number SC01130

## **Independent Auditors' Report to the Members and Trustees of Capability Scotland**

We have audited the financial statements of Capability Scotland (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31 March 2018 which comprise the Group and Parent Charitable Company Statements of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group and Parent Charitable Company Cash Flow Statements 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 FRS 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 group's and the parent charitable company's affairs as at 31 March 2018 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 of 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.

### **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 year of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other

than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 our audit:

- the information given in the Strategic Report and the Trustees' Report which includes 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 Trustees' Report which includes the Directors' Report have 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 Strategic Report and the Trustees' Report which includes the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- 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

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the directors (who are also the trustees of the charitable company for the purposes of charitable law) 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**

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's directors, 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 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's directors 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 charity, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.



**James Davidson (Senior Statutory Auditor)**

**For and on behalf of Henderson Loggie**

**Chartered Accountants & Statutory Auditors**

**Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006**

11-15 Thistle Street  
Edinburgh  
EH2 1DF

28 June 2018

**Group and Company Statement Of Financial Activities**  
**(Incorporating an Income and Expenditure Account)**  
For the year ended 31 March 2018

		2018			2017		
		Unrestricted Funds	Restricted Funds	Total Funds	Unrestricted Funds	Restricted Funds	Total Funds
		£	£	£	£	£	£
<b>Income From:</b>							
Donations and Legacies	5	754,971	290,610	1,045,581	700,206	276,235	976,441
Charitable Activities	2	14,603,148	7,576,827	22,179,975	13,483,942	8,658,610	22,142,552
<i>Other trading activities:</i>							
Commercial Trading Operations		709,420	0	709,420	878,322	0	878,322
Investments	4	16,657	0	16,657	23,426	0	23,426
Other Activities - rental and other income		343,088	0	343,088	178,693	0	178,693
Gain on Property Disposals		0	0	0	904,514	0	904,514
<b>Total</b>		<b>16,427,284</b>	<b>7,867,437</b>	<b>24,294,721</b>	<b>16,169,103</b>	<b>8,934,845</b>	<b>25,103,948</b>
<b>Expenditure on:</b>							
Raising Funds	3	176,897	0	176,897	263,284	0	263,284
Commercial Trading Operations	3	883,326	0	883,326	918,111	0	918,111
Charitable Activities	3	15,153,821	7,674,301	22,828,122	15,191,525	8,899,735	24,091,260
<b>Total</b>		<b>16,214,044</b>	<b>7,674,301</b>	<b>23,888,345</b>	<b>16,372,920</b>	<b>8,899,735</b>	<b>25,272,655</b>
<b>Net income/(Expenditure)</b>		<b>213,240</b>	<b>193,136</b>	<b>406,376</b>	<b>(203,817)</b>	<b>35,110</b>	<b>(168,707)</b>
<b>Transfers between funds</b>	11	<b>505,875</b>	<b>(505,875)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
		<b>719,115</b>	<b>(312,739)</b>	<b>406,376</b>	<b>(203,817)</b>	<b>35,110</b>	<b>(168,707)</b>
<b>Other recognised gains/(losses)</b>							
Actuarial (losses) on defined benefit pension schemes	3	(300,000)	0	(300,000)	(300,000)	0	(300,000)
<b>Net movement in funds</b>		<b>419,115</b>	<b>(312,739)</b>	<b>106,376</b>	<b>(503,817)</b>	<b>35,110</b>	<b>(468,707)</b>
<b>Reconciliation of funds:</b>							
Funds brought forward at 1 April 2017		<b>11,290,375</b>	<b>1,240,129</b>	<b>12,530,504</b>	<b>11,794,192</b>	<b>1,205,019</b>	<b>12,999,211</b>
Fund carried forward at 31 March 2018		<b>11,709,490</b>	<b>927,390</b>	<b>12,636,880</b>	<b>11,290,375</b>	<b>1,240,129</b>	<b>12,530,504</b>

All of the above results are derived from continuing activities.

The subsidiary company was dormant in the current and previous years so the statement of financial activities above represents that of the group and the company.

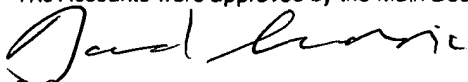
*The auditor's report to the Trustees and Members of Capability Scotland is on pages 17-19.*

*The notes on pages 25 to 44 form part of these Accounts*

**Group Balance Sheet  
As at 31 March 2018**

		2018	2017
	Notes	£	£
<b>FIXED ASSETS</b>			
Tangible Assets	6	9,111,405	9,399,705
<b>CURRENT ASSETS</b>			
Stock	8	56,559	73,978
Debtors	7	3,274,982	3,196,402
Cash at bank and in hand		2,861,087	2,661,787
		<b>6,192,628</b>	<b>5,932,167</b>
Creditors amounts falling due within one year	9	(2,549,146)	(2,611,885)
<b>NET CURRENT ASSETS</b>		<b>3,643,482</b>	<b>3,320,282</b>
<b>TOTAL ASSETS Less</b>			
<b>CURRENT LIABILITIES</b>		<b>12,754,887</b>	<b>12,719,987</b>
<b>Liabilities:</b>			
Creditors amounts falling due after more than one year	10	(118,007)	(189,483)
<b>TOTAL NET ASSETS</b>		<b>12,636,880</b>	<b>12,530,504</b>
Defined benefit pension scheme (liability)		0	0
<b>NET ASSETS Including Pension (liability)</b>		<b>12,636,880</b>	<b>12,530,504</b>
<b>THE FUNDS OF THE CHARITY</b>			
Unrestricted funds	11	11,709,490	11,290,375
Restricted funds	11	927,390	1,240,129
<b>TOTAL CHARITY FUNDS</b>		<b>12,636,880</b>	<b>12,530,504</b>

The Accounts were approved by the Main Board on the 28 June 2018 and signed on their behalf by



D. Currie

Member of the Main Board

The auditor's report to the Trustees and Members of Capability Scotland is on pages 17-19

The notes on pages 25 to 44 form part of these Accounts

Company number SCO36524

**Balance Sheet**  
**As at 31 March 2018**

		2018	2017
	Notes	£	£
<b>FIXED ASSETS</b>			
Tangible Assets	6	9,111,405	9,399,705
<b>CURRENT ASSETS</b>			
Stock	8	56,559	73,978
Debtors	7	3,281,180	3,202,600
Cash at bank and in hand		2,833,491	2,634,191
		6,171,230	5,910,769
<b>Liabilities:</b>			
Creditors: amounts falling due within one year	9	(2,549,146)	(2,611,885)
<b>NET CURRENT ASSETS</b>		<b>3,622,084</b>	<b>3,298,884</b>
<b>TOTAL ASSETS Less</b>			
<b>CURRENT LIABILITIES</b>		<b>12,733,489</b>	<b>12,698,589</b>
<b>Liabilities:</b>			
Creditors: amounts falling due after more than one year	10	(118,007)	(189,483)
<b>TOTAL NET ASSETS</b>		<b>12,615,482</b>	<b>12,509,106</b>
<b>THE FUNDS OF THE CHARITY</b>			
Unrestricted funds		11,689,937	11,270,822
Restricted funds	11	925,545	1,238,284
<b>TOTAL CHARITY FUNDS</b>		<b>12,615,482</b>	<b>12,509,106</b>

The Accounts were approved by the Main Board on 28 June 2018 and signed on their behalf by:



D. Currie  
Member of the Main Board

The auditor's report to the Trustees and Members of Capability Scotland is on pages 17-19.  
The notes on pages 25 to 44 form part of these Accounts.

Company Number SCO36524



**Statement of cash flows**  
For the year ended 31 March 2018

	Notes	2018 £	2017 £
<b>Cash flows from operating activities:</b>	<b>12</b>	<b>268,359</b>	<b>(3,697,627)</b>
<b>Net cash provided by (used in) operating activities</b>			
<b>cash flows from investing activities:</b>			
Dividends, interest and rents from investments		359,745	202,119
Proceeds from the sale of property, plant and equipment			6,292,803
Purchase of property, plant and equipment		(348,364)	(3,364,902)
<b>Net cash provided by (used in) investing activities</b>		<b>11,381</b>	<b>3,130,020</b>
<b>Cash flows from financing activities:</b>			
Hire purchase interest paid		(20,380)	(16,671)
Repayments of borrowings		(83,526)	(98,701)
Cash inflows from new borrowing		23,466	232,411
<b>Net cash provided by (used in) financing activities</b>		<b>(80,440)</b>	<b>117,039</b>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>199,300</b>	<b>(450,568)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>2,661,787</b>	<b>3,112,355</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>2,861,087</b>	<b>2,661,787</b>
<b>Cash and cash equivalents at the beginning of the reporting period for Capability Scotland</b>		<b>2,634,191</b>	<b>3,084,759</b>
<b>Cash and cash equivalents at the end of the reporting period for Capability Scotland</b>		<b>2,833,491</b>	<b>2,634,191</b>

The auditor's report to the Trustees and Members of Capability Scotland is on pages 17-19.

## **NOTE TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**

### **ACCOUNTING POLICIES**

#### **Status of the Company**

Capability Scotland is a company limited by guarantee of its members and does not have a share capital. Each member has undertaken to contribute an amount not exceeding one pound towards any deficit arising in the event of the company being wound up. The registered office is stated on page 14.

#### **Basis of accounting**

The financial statements have been prepared to fully comply with the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006. The accounts have been prepared under the historical cost basis of accounting modified to include investments at market value, the revaluation of certain land and buildings, and in accordance with applicable accounting standards.

Capability Scotland meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity rounded to the nearest £.

#### **Going concern**

The charity's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Trustees' Annual Report.

As detailed in the financial review, the charity has responded to changes in funding and continues to monitor the position carefully to ensure it has adequate financial resources to be placed to manage its business risks sufficiently despite the current uncertain economic outlook.

The Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future and consider that the going concern basis of accounting in preparing the financial statements is appropriate.

#### **Basis of Consolidation**

The accounts of the subsidiary company, Capability Scotland Trading Ltd, are consolidated in the group accounts.

#### **Funds**

Funds are classified as either restricted funds or unrestricted funds, defined as follows:

**Restricted funds** are funds subject to specific trusts, which may be declared by the donor or with their authority (e.g. by the restrictive wording of an appeal). Some are restricted income funds expendable at the discretion of the Main Board in furtherance of a particular activity, such as central and local government grants and fees for a

specific school or service, and funds raised for particular client groups or activities.

**Unrestricted funds** are expendable at the discretion of the Main Board in furtherance of the objects of Capability Scotland. If part of the unrestricted funds is earmarked at the discretion of the Main Board for a particular project, it is designated as a separate fund. This designation has an administrative purpose only, and does not legally restrict the Main Board's discretion to apply the fund.

#### **Income**

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and the amount can be measured reliably.

#### **Legacies**

A legacy is regarded as receivable if it is clear that at the accounting date it is probable it will be received and the administrators of the estate have indicated the level of payment to be made.

#### **Grants and fees receivable from statutory sources**

Grants and fees receivable include government grants and receipts under other funding arrangements from central and local government and their agencies which are of a revenue nature. This includes income recognised as earned (as the related services are provided) under contract or where entitlement to grant funding is subject to specific performance conditions. Grant income included in this category provides funding to support activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Where grants and fees have been received but are in relation to services not yet provided, or the grant conditions state that the funding relates to a future period, the income is deferred and included in Other Creditors and Provisions.

#### **Donated Services and Gifts in Kind**

Donated services and facilities are included at the value to the charity where this can be quantified which is the value the charity would have paid on the open market. No amounts are included in the financial statements for services donated by volunteers.

Gifts in kind including donated goods for resale are recognised at fair value in the financial statements when received. Donated goods sold under the Gift Aid scheme earn a commission of 1% which is recognised when goods are sold.

#### **Stock**

Stock represents donated goods for sale in our charity shops. Stock is valued at its net realisable value and has been recognised as income in the financial statements.

#### **Local associations**

Local associations affiliated to Capability Scotland are autonomous bodies. Any income received from local associations is included in incoming resources from donations and gifts.

#### **Expenditure**

All expenditure is accounted for on an accruals basis and has been classified under

headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

Costs to Raise Funds are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

Governance costs are the costs associated with the governance arrangements of the Charity which relate to the general running of the Charity as opposed to those costs associated with fundraising or charitable activity.

Support costs, which include the Head Office functions such as general management, payroll administration, budgeting and accounting, information technology and human resources are allocated across the categories of charitable expenditure, governance costs and the costs of generating funds.

The basis of the cost allocation has been explained in note 3 to the accounts.

Irrecoverable VAT is charged as a cost to the Statement of Financial Activities.

Redundancy and termination payments are recognised in the financial statements when there is a legal or constructive obligation and it is probable that a payment will be made.

#### **Debtors**

Trade and other debtors are recognised at the settlement amount due. Should any amounts become doubtful a suitable provision is made. Prepayments are valued at the amount prepaid net of any known deductions that are available.

#### **Cash at bank and in hand**

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

#### **Creditors and provisions**

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in 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 recognised at their full settlement amount.

#### **Leases**

Assets acquired under finance leases or hire purchase contracts are capitalised and the outstanding future lease obligations net of finance charges held as a liability within creditors. The finance and operating lease rentals are charged to the Statement of Financial Activities on a straight line basis over the life of the lease.

#### **Fixed assets and depreciation**

Purchases of fixed assets over £1,000, are capitalised.

Fixed assets are included in the balance sheet at cost, or valuation in certain cases.

Certain of the group's properties are held under an operating finance lease to earn rental income. Investment properties are accounted for as follows:

- 1) Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.
- 2) Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in the profit and loss account.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Leasehold improvements -

Equal instalments up to the end of the period over which funding for the improvements will be received.

Other Buildings, including Long Leasehold properties, - 50 years

Improvements to buildings - equal instalments over the remaining life of the original asset.

Plant and machinery - 5 years

Furniture and fittings 5 - 20 years

Vans and minibuses - 6 years

Motor cars - 4 years

#### **Buildings purchased or improved using unrestricted funds**

In certain cases, where a building has been built or improved using unrestricted funds in hand at the time (i.e. there is no intention to recover the cost subsequently through its use) the Main Board creates a designated fund reflecting the book value of the asset, which is then reduced over the useful economic life of the asset in line with its depreciation.

#### **Dilapidations**

Where leases require the reinstatement of buildings in line with a surveyor's report, the cost of dilapidations are recognised in the financial statements when they can be reasonably estimated.

#### **Financial instruments**

The charity only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transactions value and subsequently measured at their settlement value.

#### **Exceptional items**

Items are treated as exceptional items where by virtue of their size or nature they need to be disclosed separately in order to give a true and fair view.

#### **Defined benefit pension scheme**

The charity operates a defined benefit pension scheme which is closed to new members and to future accrual. The assets for the scheme are held separately from

those of the charity.

Pension scheme assets and liabilities are measured by a qualified actuary using the assumptions set out in note 14. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full on the balance sheet. The movement in the surplus/deficit is split between other income and actuarial gains/losses on the Statement of Financial Activities.

#### **Employee benefits**

The charity contributes to a group personal pension scheme on behalf of certain employees. The assets of this scheme are held separately from those of the charity. The amount charged to the Statement of Financial Activities represents the contributions payable to the scheme in respect of the accounting period. Other short term employee benefits are recognised in the period as an expense in the period in which they relate.

#### **Judgements in applying accounting policies and key sources of estimation uncertainty**

In the application of the group's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the group as a lessor are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.
- Fixed assets are also assessed as to whether that are indicators of Impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.

The following are the group's key sources of estimation uncertainty:

The value of the deficit in the defined benefit pension fund is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the liabilities, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2018

### 1. STAFF NUMBERS AND COSTS

a) The aggregate remuneration and associated costs of Capability Scotland's employees were:

	2018 £	2017 £
Wages and salaries	15,777,810	16,290,703
Redundancy payments	117,507	419,807
Social Security costs	1,209,981	1,236,354
Pensions costs - defined benefits	300,000	300,000
Pensions costs - defined contributions	420,488	476,003
Pension Adjustment - defined contributions	(300,000)	(300,000)
Agency Fees	879,730	1,324,560
	<b>18,405,516</b>	<b>19,747,427</b>
Benefits in kind (as defined for personal taxation purposes)	0	2,126
	<b>18,405,516</b>	<b>19,749,553</b>

The average number of employees of Capability Scotland during the year was:

	2018 Number	2017 Number
	937	1,008

Included in the above costs are £117,507 of Redundancy Costs (2017 £419,807) payable to staff at termination of employment. While the organisation takes every step to avoid redundancy the nature of our funding makes such decisions necessary. Redundancy costs are recognised when known.

The remuneration and benefits paid to key management personnel totals £306,699 (2017 £382,717). In addition pension contributions of £19,403 (2017 £23,463) were paid to a defined contributions pension scheme.

External Agencies are used to provide staff in Services where vacancies are not filled and, in some circumstances, to cover for staff absences. The Charity contracts with a number of Agencies to ensure that staff are available to provide services to our customers.

Employees receiving salaries, plus benefits in kind, of more than £60,000 were in the following bands:

	2018	2017
£60,001 - £70,000	0	0
£70,001 - £80,000	1	2
£80,001 - £90,000	0	1
£100,001 - £110,000	1	1

Key management vacancies were replaced by interim appointments in the year to 31 March 2018 to enable a review to be carried out of the Executive Management Board structure.

#### b) Trustees' Remuneration and Related Parties

No Trustees received remuneration in the year. Expenses of £277 (2017 £0) were paid to Trustees in the year in respect of Travel Expenses. Trustee indemnity insurance is provided as part of the overall insurance policy for the organisation.

A Trustee is the Chairperson of the Glasgow Centre for Inclusive Living. In the year a £10,000 (2017 £23,150) grant was paid to the Centre as part of a Joint Project for the Scottish Government.

#### c) Defined Contributions Pension Scheme

The contributions payable to the defined contribution pension schemes at the year end was £43,991 (2017 £46,943).

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2018

### 2. NET INCOME

**a) Net Income is stated after charging:**

	2018	2017
	£	£
Auditor's remuneration - audit	24,900	27,825
- audit of Pension Scheme	3,250	3,155
- other	2,145	1,540
Depreciation of tangible fixed assets (note 6)	636,664	547,460
Rental charges under operating leases	789,179	704,889
Rental Income under operating leases	139,772	178,693
Hire purchase interest	20,380	16,671

**The surplus is stated after charging:**

Gain on sale of tangible fixed assets	0	907,039
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**b) Income for Charitable Activities by funding source is made up as follows:**

Local Authorities	17,786,734	17,484,732
Scottish Government	2,914,456	3,079,479
Employment Programmes	886,646	781,399
Benefits Agency	397,642	445,335
Health Boards	32,564	32,564
Department of Transport	25,852	45,914
Other	136,081	273,129
Total	<u>22,179,975</u>	<u>22,142,552</u>

Included in Scottish Government income above are grants as follows: Supporting children and young people with additional support needs £2,934,056 (2017 £2,975,854), and carrying out research to assist in formulating government policy regarding disability matters £0 (2017 £103,625) During the year a training grant of £19,600 was repaid to the Scottish Government.

**c) Income for Charitable Activities is made up as follows:**

Schools	5,628,736	5,621,959
Other Children's Services	155,380	452,340
Adult Day Services	3,138,517	2,791,554
Adult Residential Services	8,310,622	8,007,196
Community Living Services	3,902,890	3,958,583
Employment Services	887,316	774,012
Other Services and Activities	156,514	536,908
	<u>22,179,975</u>	<u>22,142,552</u>



**NOTES TO THE ACCOUNTS**  
For the year ended 31 March 2018

**3. EXPENDITURE**

	Direct activities £	Support costs £	2018 Total £	2017 Total £
<b>a) Expenditure:</b>				
Raising funds	165,597	11,300	176,897	263,284
Commercial Trading Operations	813,842	69,484	883,326	918,111
<b>Charitable Activities</b>				
Schools	5,185,059	352,360	5,537,419	5,338,630
Other Children's Services	128,795	8,752	137,547	1,192,539
Adult Day Services	3,104,319	210,960	3,315,279	3,664,319
Adult Residential Services	7,662,655	520,730	8,183,385	8,508,856
Community Living Services	4,512,941	306,685	4,819,626	4,210,323
Employment Services	684,401	44,132	728,533	780,556
Other Services	352,096	23,927	376,023	528,566
Campaigning, Policy, Information and Influencing	27,682	2,628	30,310	167,471
Pension Adjustment	(300,000)	0	(300,000)	(300,000)
<b>Total Charitable activities</b>	<b>21,357,948</b>	<b>1,470,174</b>	<b>22,828,122</b>	<b>24,091,260</b>
<b>Total per the Statement of Financial Activities</b>	<b>22,337,387</b>	<b>1,550,958</b>	<b>23,888,345</b>	<b>25,272,655</b>

**b) Raising funds**

The charity employs dedicated staff, supported by volunteers, to undertake fundraising activities to generate donations and legacies. Activities include arranging events or supporting events arranged by other bodies on behalf of the charity, submitting funding applications to trusts and corporate bodies and representing the organisation when meeting with such bodies and maintaining our database of committed givers. Our fundraisers also manage our legacy initiatives, direct mailing campaigns and collection boxes.

**c) Commercial Trading Activities**

The charity began the year with 12 shops, reducing to 11 by the end of the year, located throughout Scotland, which generate income by selling donated goods. Our staff are supported by volunteers who ensure that our shops can operate throughout the year to generate income.

	2018 £	2017 £
Operating expenditure from trading activities	792,549	918,111
Dilapidations and external repairs expenditure	90,777	0
	<b>883,326</b>	<b>918,111</b>

**d) Support Costs**

Support Costs of £1,550,958 (2017 £1,664,425) are included in the above. Included in Support Costs are head office functions including general management, finance, payroll administration, human resources and information technology. Support costs have been allocated to expenditure on raising funds and Campaigning, Policy, Information and Influencing on an estimated usage basis. Support Costs allocated to Operations is on the same basis as direct expenditure incurred in undertaking an activity. Governance costs of £56,544 (2017 £73,974) have been included in Support Costs.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2018

	2018	2017
	£	£
<b>4. INVESTMENT INCOME</b>		
Bank and other interest	16,657	23,426

## 5. DONATIONS AND LEGACIES

	2018	2017
	£	£
Donations Received	617,759	638,379
Legacies	427,822	338,062
	<b>1,045,581</b>	<b>976,441</b>

## 6. FIXED ASSETS

### a) Tangible Assets

### Group and Capability Scotland

	Land & Buildings	Improvements to Short Leaseholds	Motor Vehicles	Furniture, Fittings & Equipment	Total
	£	£	£	£	£
<b>Cost or Valuation</b>					
At beginning of year	9,097,276	681,109	995,413	3,683,282	14,457,080
Additions	0	9,698	107,255	231,411	348,364
Disposals	0	0	(295,221)	(201,108)	(496,329)
At end of year	9,097,276	690,807	807,447	3,713,585	14,309,115
<b>Depreciation</b>					
At beginning of year	2,694,977	175,849	814,512	1,372,037	5,057,375
Provided for the year	166,329	64,172	73,845	332,318	636,664
On disposals	0	0	(295,221)	(201,108)	(496,329)
At end of year	2,861,306	240,021	593,136	1,503,247	5,197,710
<b>Net book value</b>					
At 31 March 2018	6,235,970	450,786	214,311	2,210,338	9,111,405
At 1 April 2017	6,402,299	505,260	180,901	2,311,245	9,399,705

The company has granted to the Trustees of the Capability Scotland Pension Scheme, as security, the Upper Springland site which is included in Land & Buildings above.

**NOTES TO THE ACCOUNTS**  
For the year ended 31 March 2018

**6. FIXED ASSETS (continued)**

The carrying amount of land & buildings comprises:

	2018 £	2017 £
Investment property at fair value:		
Long leaseholds	775,000	775,000
Other properties at cost:		
Long leaseholds	384,740	393,448
Freeholds	<u>5,076,230</u>	<u>5,233,851</u>
	<u>6,235,970</u>	<u>6,402,299</u>

The investment property was purchased in the year to 31 March 2017 and as such the purchase price is deemed to be the fair value.

**b) Contingent Asset**

In respect of a property that has been sold should certain performance targets be met in the ten year period following the date of entry on the property, being 30 June 2016, further sums will be receivable.

**c) Contingent Liability**

In certain circumstances grants received for refurbishment works on School buildings may become repayable. The total of such grants is £277,621 (2017 £277,916).

**d) Assets held under hire purchase contracts**

The net book value of assets includes amounts of £301,422 (2017 £361,388) in respect of assets held under hire purchase contracts. The depreciation charge for the year on these assets was £119,132 (2017 £92,027).

e) Subsidiary Undertakings:	Percentage of Capital Held	Number of £1 Ordinary Shares
Capability Scotland Trading Limited	100%	100%

Capability Scotland Trading Limited, a company incorporated in Scotland. Company Number SCO38207, is a wholly owned subsidiary and sells bought goods, predominantly christmas cards.

In the year Capability Scotland Trading Limited did not trade. This has been consolidated into the Group SOFA on a line by line basis. Funds of £1,845 (2017 £1,845) are included in the Group Balance Sheet and considered to be Restricted. The net assets of the subsidiary as at 31 March 2018 were £21,398 (2017 £21,398).

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2018

### 7. DEBTORS

	Group £	2018 Capability Scotland £	Group £	2017 Capability Scotland £
Fees and grants due	2,499,575	2,499,575	2,437,565	2,437,565
Other debtors	31,827	38,025	126,840	133,038
Prepayments and accrued income	743,580	743,580	631,997	631,997
Property sales	0	0	0	0
	<b>3,274,982</b>	<b>3,281,180</b>	<b>3,196,402</b>	<b>3,202,600</b>

### 8. STOCK

	Group £	2018 Capability Scotland £	Group £	2017 Capability Scotland £
Stock of donated goods for resale	56,559	56,559	73,978	73,978

### 9. LIABILITIES

#### a) Creditors: amounts falling due within one year

	Group £	2018 Capability Scotland £	Group £	2017 Capability Scotland £
Trade creditors	397,408	397,408	654,839	654,839
Social security costs and other taxes	264,799	264,799	309,992	309,992
Accruals and deferred income	481,745	481,745	541,532	541,532
Other creditors and provisions	1,277,661	1,277,661	989,405	989,405
	<b>2,421,613</b>	<b>2,421,613</b>	<b>2,495,768</b>	<b>2,495,768</b>
Current instalments due on hire purchase	127,533	127,533	116,117	116,117
	<b>2,549,146</b>	<b>2,549,146</b>	<b>2,611,885</b>	<b>2,611,885</b>

	Group £	Charity £
<b>b) Deferred Income</b>		
Balance as at 1 April 2017	123,193	123,193
Amounts released to income earned from charitable activities	(9,984)	(9,984)
Amount deferred in year	166,240	166,240
Balance as at 31 March 2018	<b>279,449</b>	<b>279,449</b>

Deferred income relates to funding received where at the year end the performance related conditions attached to the funding had not yet been met and are considered outwith the charity's control.

### 10. LIABILITIES

#### Creditors: amounts falling due after one year

	2018 Group & Capability Scotland £	2017 Group & Capability Scotland £
Hire purchase instalments	<b>118,007</b>	<b>189,483</b>

All amounts are due within five years.

Amounts due under hire purchase contracts are secured on certain assets

**NOTES TO THE ACCOUNTS**  
For the year ended 31 March 2018

**11. FUNDS**

**a) Group Statement of Funds**

<b>As at 31 March 2018</b>	<b>Balance 31 Mar 2017 £</b>	<b>Incoming Resources £</b>	<b>Outgoing Resources £</b>	<b>Transfers £</b>	<b>Gains and (Losses) £</b>	<b>Balance 31 Mar 2018 £</b>
<b>Restricted Funds</b>	1,240,129	7,867,437	(7,674,301)	(505,875)	0	927,390
<b>Unrestricted Funds</b>						
<b>Designated</b>						
Capital Reserve	5,511,217	0	(198,300)	10,761	0	5,323,678
Other Funds	486,716	0	0	0	0	486,716
	<u>5,997,933</u>	<u>0</u>	<u>(198,300)</u>	<u>10,761</u>	<u>0</u>	<u>5,810,394</u>
<b>Ordinary</b>	5,292,442	16,427,284	(16,015,744)	495,114	0	6,199,096
Pension Reserve	0	0	0	0	(300,000)	(300,000)
	<u>5,292,442</u>	<u>16,427,284</u>	<u>(16,015,744)</u>	<u>495,114</u>	<u>(300,000)</u>	<u>5,899,096</u>
<b>TOTAL UNRESTRICTED</b>	<u>11,290,375</u>	<u>16,427,284</u>	<u>(16,214,044)</u>	<u>505,875</u>	<u>(300,000)</u>	<u>11,709,490</u>
<b>TOTAL FUNDS</b>	<u>12,530,504</u>	<u>24,294,721</u>	<u>(23,888,345)</u>	<u>0</u>	<u>(300,000)</u>	<u>12,636,880</u>

<b>As at 31 March 2017</b>	<b>Balance 31 Mar 2016 £</b>	<b>Incoming Resources £</b>	<b>Outgoing Resources £</b>	<b>Transfers £</b>	<b>Gains and (Losses) £</b>	<b>Balance 31 Mar 2017 £</b>
<b>Restricted Funds</b>	1,205,019	8,934,845	(8,899,735)	0	0	1,240,129
<b>Unrestricted Funds</b>						
<b>Designated</b>						
Capital Reserve	5,379,518	0	(268,661)	400,360	0	5,511,217
Other Funds	660,737	0	(174,021)	0	0	486,716
	<u>6,040,255</u>	<u>0</u>	<u>(442,682)</u>	<u>400,360</u>	<u>0</u>	<u>5,997,933</u>
<b>Ordinary</b>	5,753,937	16,169,103	(16,230,238)	(400,360)	0	5,292,442
Pension Reserve	0	0	300,000	0	(300,000)	0
	<u>5,753,937</u>	<u>16,169,103</u>	<u>(15,930,238)</u>	<u>(400,360)</u>	<u>(300,000)</u>	<u>5,292,442</u>
<b>TOTAL UNRESTRICTED</b>	<u>11,794,192</u>	<u>16,169,103</u>	<u>(16,372,920)</u>	<u>0</u>	<u>(300,000)</u>	<u>11,290,375</u>
<b>TOTAL FUNDS</b>	<u>12,999,211</u>	<u>25,103,948</u>	<u>(25,272,655)</u>	<u>0</u>	<u>(300,000)</u>	<u>12,530,504</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 March 2018

**11b) Restricted Funds**

Restricted funds as at 31 March 2018 comprise the following:

	2018		2017	
	Group £	Capability Scotland £	Group £	Capability Scotland £
Operating income earmarked for expenditure	300,173	298,328	767,025	767,025
Other restricted funds	627,217	627,217	473,104	471,259
	<b>927,390</b>	<b>925,545</b>	<b>1,240,129</b>	<b>1,238,284</b>

Operating income earmarked for expenditure represents income received for specific services and projects. Other restricted funds are made up of 51 individual funds and represent income received from funders with a specific use identified.

**c) Designated Funds**

Designated funds comprise £5,323,678 of capital reserve which reflects the book value of certain buildings and is reduced over the life of the asset in line with its depreciation and £486,716 for future development.

**d) Analysis of Group Net Assets Between Funds as at 31 March 18**

	Unrestricted £	Restricted £	Total
Fixed Assets	9,111,405	0	9,111,405
Current Assets	5,265,238	927,390	6,192,628
Current Liabilities	(2,549,146)	0	(2,549,146)
Long Term Liabilities	(118,007)	0	(118,007)
	<b>11,709,490</b>	<b>927,390</b>	<b>12,636,880</b>

**Analysis of Group Net Assets Between Funds as at 31 March 2017**

	Unrestricted £	Restricted £	Total £
Fixed Assets	9,399,705	0	9,399,705
Current Assets	4,692,038	1,240,129	5,932,167
Current Liabilities	(2,611,885)	0	(2,611,885)
Long Term Liabilities	(189,483)	0	(189,483)
	<b>11,290,375</b>	<b>1,240,129</b>	<b>12,530,504</b>

**12. NOTES TO THE CASH FLOW STATEMENT**

	2018 £	2017 £
<b>Reconciliation of net income to net cash flow from operating activities</b>		
Net income for the reporting period as per statement of financial activities	406,376	(168,707)
Adjustments for:		
Depreciation charges	636,664	547,460
Pension Fund adjustment	(300,000)	(300,000)
Dividends, interest and rents from investments	(359,745)	(202,119)
Hire purchase interest paid	20,380	16,571
(Profit) on the sale of fixed assets	0	(907,039)
Decrease in stocks	17,419	17,231
(Increase) in debtors	(78,580)	(694,390)
(Decrease) in creditors	(74,155)	(2,006,734)
<b>Net Cash (used in) operating activities</b>	<b>268,359</b>	<b>(3,697,627)</b>

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2018

### 13. CONTRACTED COMMITMENTS

#### Group & Capability Scotland

<b>(a) Capital commitments</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Capital	<b>125,130</b>	<b>49,200</b>
	<b>125,130</b>	<b>49,200</b>

Being contractual commitments for the acquisition of tangible fixed assets.

<b>(b) Operating lease commitments</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	<b>514,649</b>	<b>594,738</b>
In one and five years	<b>401,718</b>	<b>586,013</b>
In over five years	<b>0</b>	<b>31,556</b>
	<b>916,367</b>	<b>1,212,307</b>

#### (c) Operating lease - rental income

The group holds surplus office buildings as investment properties as disclosed in note 6 which are let to third parties. These non-cancellable leases have remaining terms of up to five years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Not later than one year	<b>156,316</b>	<b>154,503</b>
After one year but not more than five years	<b>292,500</b>	<b>422,500</b>
After five years	<b>0</b>	<b>0</b>
	<b>448,816</b>	<b>577,003</b>

### 14. FINANCIAL INSTRUMENTS

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Carrying amount of financial assets</b>		
Financial assets measured at fair value	<b>775,000</b>	<b>775,000</b>
Debt instruments measured at amortised cost	<b>2,531,402</b>	<b>2,564,405</b>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	<b>2,402,354</b>	<b>2,491,375</b>

Debt instruments measured at amortised cost comprises trade debtors, other debtors, and amounts owed by group undertakings.

Liabilities measured at amortised cost comprises trade creditors, payments received on account, accruals, other creditors, and amounts due to group undertakings.

## **NOTES TO THE ACCOUNTS**

For the year ended 31 March 2018

### **15. PENSION SCHEMES**

- a) Capability Scotland contributes on behalf of teaching staff to the Scottish Public Pensions Agency (SPPA), a multi-employer final salary scheme. Contributions during the year were £43,991 (2017 £46,943). The scheme is treated as a defined contribution scheme given that the charity is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reliable basis. The amount charged to the Statement of Financial Activities represents the contributions payable to the scheme in respect of the accounting year.
  
- b) The charity operates a defined benefit plan in the UK. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities. A full actuarial valuation was carried out at 31 March 2015 and updated to 31 March 2018 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The most recent full actuarial valuation showed a surplus of £951,000. The charity has agreed with the Trustees' that it will pay additional contributions of £25,000 per month until 30 November 2023. The charity will separately meet all plan expenses and professional fees, including any levies due to the Pensions Regulator and the Pension Protection Fund.



**PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND  
DEFINED BENEFIT ASSET (LIABILITY)**

	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>(£000s)</b>	<b>(£000s)</b>	<b>(£000s)</b>
Fair value of plan assets	27,432	27,731	24,000
Present value of defined benefit obligation	22,794	23,586	21,043
Surplus (deficit) in plan	4,638	4,145	2,957
Unrecognised surplus	4,638	4,145	2,957
Defined benefit asset (liability) to be recognised	-	-	-
Deferred tax	-	-	-
Net defined benefit asset (liability) to be recognised	-	-	-

**RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT  
OBLIGATION**

	<b>Period ended 31 March 2018</b>	<b>Period ended 31 March 2017</b>
	<b>(£000s)</b>	<b>(£000s)</b>
Defined benefit obligation at start of period	23,586	21,043
Current service cost	-	-
Expenses	-	-
Interest expense	584	700
Contributions by plan participants	-	-
Actuarial losses (gains)	(21)	2,770
Benefits paid & expenses	(1,355)	(927)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit obligation at end of period	22,794	23,586

# **RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS**

	<b>Period ended 31 March 2018 (£000s)</b>	<b>Period ended 31 March 2017 (£000s)</b>
Fair value of plan assets at start of period	27,731	24,000
Interest income	694	826
Actuarial gains (losses)	62	2,332
Contributions by the charity	300	1,500
Contributions by plan participants	-	-
Benefits paid and expenses	(1,355)	(927)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Fair value of plan assets at end of period	27,432	27,731

The actuarial return on the plan assets over the period ended 31 March 2018 was £756,000

## **DEFINED BENEFIT COSTS RECOGNISED IN PROFIT OR LOSS**

	<b>Period ended 31 March 2018 (£000s)</b>	<b>Period ended 31 March 2017 (£000s)</b>
Current service cost	-	-
Expenses	-	-
Net interest cost*	-	-
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in profit and loss account	-	-

# DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2018 (£000s)	Period ended 31 March 2017 (£000s)
Return on plan assets (excluding amounts included in net interest cost) - gain (loss)	62	2,332
Experience gains and losses arising on the plan liabilities - gain (loss)	(68)	73
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - gain (loss)	89	(2,843)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	(383)	(1,062)
Total amount recognised in other comprehensive income - gain (loss)	(300)	(1,500)

## ASSETS

	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Overseas Equities	6,357	6,618	4,984
Corporate Bonds	8,370	8,204	7,265
Government Bonds	1,575	1,571	1,287
Diversified Growth Funds	8,358	8,789	8,053
Property	2,592	2,391	2,251
Cash	116	83	75
Insured Pensioners	64	75	85
Total assets	27,432	27,731	24,000

None of the fair values of the assets shown above include any direct investments in the charity's own financial instruments or any property occupied by, or other assets used by, the charity.

## ASSUMPTIONS

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Discount Rate	2.50	2.55	3.40
Inflation (RPI)	3.20	3.25	2.90
Inflation (CPI)	2.20	2.25	2.10
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less with a minimum of 3% p.a.	3.00	3.00	3.00
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.10	3.15	2.85
Allowance for pension in payment increases of CPI or 3% p.a. if less	1.95	2.00	1.90
Allowance for commutation of pension for cash at retirement	100% of Post A Day	100% of Post A Day	100% of Post A Day

The mortality assumptions adopted at 31 March 2018 imply the following life expectancies:

	Life expectancy at age 60 (Years)
Male retiring in 2017	26.3
Female retiring in 2017	28.5
Male retiring in 2037	27.6
Female retiring in 2037	29.8

The best estimate of contributions to be paid by the charity to the plan for the period commencing 1 April 2018 is £300,000. All plan expenses, professional fees or levies due to the Pensions Regulator and the Pension Protection Fund, are to be met separately by the charity.

## ANALYSIS TO THE SENSITIVITY TO THE PRINCIPLE ASSUMPTIONS OF THE VALUE OF THE SCHEME LIABILITIES

	Change in assumption	Approximate change in liabilities
Discount Rate	Increase/decrease of 0.5%	Decrease/increase by 7%
Rate of inflation	Increase/decrease of 0.5%	Increase by 5%/decrease by 4%
Rate of mortality	1 year life expectancy increase	Increase by 3%

### **Thank you for your help and support**

We would like to thank all the individuals and organisations who donated to Capability Scotland in the last year and the many people who supported our fundraising by donating their time. We are unable to name all of them individually but their support is very much appreciated. It makes a real difference to the lives of the people supported by Capability Scotland's services.

We thank everyone who responded to our appeals, made a regular gift or took part in fundraising events. Thank you also to the companies and organisations who supported us through fundraising or by holding one of our collection boxes on their premises.

We would like to give special acknowledgement to all those who left a legacy to Capability Scotland or who donated to us in memory of a loved one.

With particular thanks to the following people and organisations:

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Mrs Terri Campbell  
Mr Chris Dryden  
Mr B Macpherson  
The Right Honourable Lord Hardie QC  
Miss Rosemary Stroyan

#### **Organisations**

Baker Incorporation of Perth  
East Kilbride Group Training Association  
J Smart & Co (Contractors) plc  
James Chapman Butchers  
JDPS Plumbers Ltd  
Royal London  
Virgin Media

#### **Trusts**

The Alchemy Foundation  
Callendar Charitable Trust  
The Gamma Trust  
The Harold Merton Adams Trust  
Hayword Sanderson Trust  
The Helen A Reid Charitable Trust  
The Hinshelwood Gibson Trust  
The Ian Fleming Charitable Trust  
Lord Armistead's Dundee Trust  
The Martin Connell Charitable Fund  
The Mary Andrew Charitable Trust  
Miss J L McKinnell's Trust  
Merchants of Balnacraig Trust  
Miss I F Harvey's Charitable Trust  
Miss R E Duncan's Charitable Trust  
Mrs J B Wood's Charitable Trust  
The Mrs Margaret H McInnes Trust  
The Andrew & Mary Elizabeth Little Charitable Trust  
Mrs K M Maxwell-Stuart's Charitable Trust  
The Thomas Sivewright Catto Charitable Settlement

#### **Trusts (cont'd)**

The Northwood Charitable Trust  
The Peter Brough Bequest Fund  
The R J Larg Family Charitable Trust  
The Souter Charitable Trust  
The St Katharine's Fund  
Stichting Teuntje Anna (TA Fund)  
Talteg Ltd  
Templeton Goodwill Trust  
The Broughton Charitable Trust  
The JTH Charitable Trust  
The W A Cargill Trust  
William Gibson's Trust

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