



## **Directors' Report and Financial Statements**

### **for the year ended 31 March 2012**

*Sacro is a company limited by guarantee and is registered as a Scottish charity*

*Charity number SC016293  
Company number SC086651*





SAFEGUARDING COMMUNITIES – REDUCING OFFENDING

**Directors' Report and Financial Statements  
For the year ended 31 March 2012**

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**Directors**

Mrs Esther Robertson (Chair)  
Mrs Elizabeth Carmichael (Depute Chair)  
Mr Robert Marshall (Treasurer) co-opted 15.12.2011  
Professor Lindsay Thomson  
Mrs Jo Knox  
Professor Geoff Palmer  
Mr Graham Birse

Mr Alan Baird  
Mr Graham Paterson  
Mr Mike Inglis co-opted 15.12.2011  
Mrs Elspeth Dalglish co-opted 15.12.2011  
Mr Neil Ballantyne resigned 15.12.2011  
Sheriff M G O'Grady QC resigned 05.07.2012

**Observers**

Mr Robin Duncan  
BASW

Mr Joe Griffen  
Scottish Government - Justice Department

Chief Superintendent Mark Williams  
Lothian & Borders Police

**Chief Executive**

Mr Tom Halpin

**Honorary President**

The Rt. Hon. Lord Cullen of Whitekirk

**Solicitors**

McClure Naismith  
3 Ponton Street  
Edinburgh  
EH3 9QQ

**Auditors**

Wylie & Bisset LLP  
168 Bath Street  
Glasgow  
G2 4TP

**Secretary**

Mr Tom Halpin

**Bankers**

Bank of Scotland  
20/22 Shandwick Place  
Edinburgh  
EH2 4RN

**Registered Office**

29 Albany Street  
Edinburgh  
EH1 3QN

Registered in Scotland – number SC086651  
Charity number SC016293

**Directors' Report** *(continued)*  
**For the year ended 31 March 2012**

The Directors present their annual report and audited financial statements for the year ended 31 March 2012.

**Structure & Governance**

Sacro is a company limited by guarantee (SC086651) and is registered as a Scottish Charity (SC016293). The management of the Company is the responsibility of a Board of Directors, who are elected by the members in general meeting, under the terms of the Articles of Association.

Directors are invited onto the Board from people who have relevant experience and expertise and a commitment to furthering the aims and objectives of Sacro. An induction programme of information, meetings with senior staff, and visits to services are arranged for each new Director.

Every member of the Company undertakes to contribute to the assets of the Company in the event of its being wound up while he is a member, or within one year after he ceased to be a member, such amount as may be required not exceeding £5.

Day to day management is delegated to the Chief Executive, and senior managers responsible for Operations and Corporate Services.

**Objectives – Strategic Plan 2012-15**

The Strategic Plan was reviewed during 2011/12 and launched at the March 2012 Board meeting.

Sacro's mission per the Strategic Plan 2012-15, is to be a community-based organisation that will create safe and cohesive communities by reducing conflict and offending.

Sacro's vision is for a safer Scotland, able to resolve conflict constructively and to deal effectively with offending and its consequences. To achieve this, the strategic priorities for Sacro are:

- (1) **direct provision of services** - with a focus on core services which meet the needs of and support our priority client groups;
- (2) **outcome evaluation, monitoring and research of all our services** - to inform and provide evidence for all that we do;
- (3) **influencing policy, practice and legislation** - where our priorities will be activities which chime with our principles;
- (4) **meeting high standards of organisational governance and management** across all Board, operational and supporting activities

**Achievements during 2011/12**

Below are detailed some of the key achievements during 2011/12 that demonstrate the positive progress being made with relevance to the strategic plan:

*Direct provision of services*

- Sacro provides 65 services in 22 locations throughout Scotland.
- Sacro has adopted services within a whole systems approach to Youth Justice in Aberdeen, to promote early and effective intervention.
- Sacro's Restorative Justice Transitions and Assertive Outreach services, both shortlisted for Howard League Community Programmes awards 2012.
- The Willow service, delivered in partnership by NHS Lothian, City of Edinburgh Council and Sacro, was identified as an excellent example of effective intervention and a "recommended model of service design" by Scottish Government-led Commission on Women Offenders.
- The Aberdeen Youth Justice Development Programme (YJDP) wins major awards at Herald Society Awards and Scottish Policing Awards. Sacro is a key partner in YJDP.
- UNICEF identifies Sacro's Fife Peer Mediation service as a prerequisite for local schools in obtaining its Rights Respecting Schools/Communities award.
- Women's mentoring services were established in Glasgow, Lanarkshire and Fife.
- Homeless Supported Accommodation and Young People's Supported Accommodation services delivered in Elgin, Moray as result of successful competitive tender.

**Directors' Report** *(continued)*  
**For the year ended 31 March 2012**

- Three long-standing Sacro volunteers received certificates from Edinburgh's Lord Provost at City Chambers event to recognise Inspiring Volunteers.

*Outcome evaluation, monitoring and research*

- Final evaluation reports on "Aberdeen Whole Systems Approach, Community Payback Orders and Perth Youth Justice" were published.
- Final report published on Scottish Government-led "Time to be Heard" forum into cases of historical institutional abuse. Sacro delivered a Restorative Justice service as an integral part of the process.
- Performance Improvement Model (PIM) self assessment tool rolled out to all Sacro services.
- National Support Manager post created to oversee Research and Evaluation.
- New collaborative post graduate research support established to Scottish Centre for Criminal Justice Research.

*Influencing policy, practice and legislation*

- Sacro annual lecture given by Terry Waite MBE.
- Cabinet secretary for justice, Kenny MacAskill MSP visited staff and service users at Sacro's Edinburgh criminal justice services.
- Sacro represented at Scottish Government working group on Intensive Support Programmes.
- Sacro's Chief Executive is chair of Criminal Justice Voluntary Sector Forum.
- Significant Sacro presence at Association of Directors of Social Work conference to showcase Sacro services.
- Evidence given to Commission on Women Offenders.
- Sacro hosted seminars on the subjects of Women Offenders, Substance Misuse, Whole Systems Approach and Youth Justice with Scottish Consortium on Crime and Criminal Justice.
- Evidence given to Scottish Government Justice Committee relating to the Offensive Behaviour at Football and Threatening Communications (Scotland) Bill, and prison population and community sentencing.

*Meeting High Standards of Organisational Governance and Management*

- Sacro employs 92 full-time, 81 part-time and 136 sessional staff in addition to 109 volunteers.
- IT strategy initiated to develop IT infrastructure and communication throughout organisation.
- New process developed to ensure swift and more detailed reporting of significant incidents and accidents across Sacro services.
- Sacro Strategic Plan for 2012-2015 launched.
- Review of board effectiveness including induction program for board members.
- Strategic review of philanthropic funding sources.
- National Support Manager post created to oversee Change and Quality.
- Learnpro on line learning system sourced and rolled out to whole organisation.

Continuous improvement has always been a cornerstone of Sacro's operational delivery. Ensuring Sacro meets the requirements of stakeholders is crucial to successful service delivery and this year, Sacro has worked to enshrine this culture of improvement in all activities by implementing a performance improvement framework. This will become increasingly important as services are expected to deliver ever more effective and efficient against financial constraints.

The way new and existing contracts are negotiated has changed markedly this year, with the traditional approach of negotiating directly with funders being steadily replaced by competitive tendering.

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**Risk**

The Board approved a review conducted by the Audit Committee of the major risks of which the charity is aware and of the systems in place to mitigate those risks. Where appropriate, actions required to strengthen the existing systems and procedures have been identified and instigated. Progress will be monitored against the timetable agreed. An annual review of the major risks faced by the charity and the systems and procedures in place to deal with those risks will be undertaken by the Board.

## **Directors' Report** *(continued)* **For the year ended 31 March 2012**

### **Equal opportunities**

Sacro's key value of promoting equality of opportunity, acknowledges that all staff irrespective of gender, sexual orientation, race, religion, national origin, disability, age or offending background are entitled to work in an environment free from discrimination, intimidation, bullying or harassment. In line with its responsibilities under the Equality Act [2010], Sacro will not tolerate or condone any form of discrimination, bullying or harassment.

- Sacro will make every effort to prevent discrimination or other unfair treatment against any of its staff or service users.
- All staff will be given equality of opportunity in all aspects of recruitment, employment, training and career development.
- All staff are responsible for their own behaviour and it is incumbent upon all staff to ensure that they comply with the policies and procedures within Sacro and to highlight any instances where discrimination or harassment takes place.

### **Reserves policy**

The Directors have considered the requirement for General Reserves that are not designated for specific purposes or otherwise committed. In doing so they have considered the need for adequate working capital in services that have little or no reserves. They have also considered the resources necessary for National Office to deliver management and support services. The reserves policy has been agreed taking into account three months running costs that is considered necessary to arrange an organised closure of a service should funding be withdrawn. Unrestricted reserves excluding pension deficit at 31 March 2012 amounted to £1.4 million and this is considered sufficient to meet the anticipated requirements, although a watchful brief will be kept on this.

### **Pension reserve**

Following the implementation of FRS17 these financial statements include the impact of the most recent valuation of the Pension fund. Sacro commissioned a review of the actuarial assumptions used for the pension valuation by independent pension advisors. The revised actuarial assumptions more accurately reflect Sacro's position, and have been used in the pension valuation as at 31 March 2012 by the pension actuary. The pension fund liability of £132,000 as at 31 March 2011 has increased by £233,000 to now show a liability of £365,000 at 31 March 2012.

### **Financial review**

The principal sources of funding were grants and contracts with local authorities and the Scottish Government.

The Income and Expenditure Account reports a surplus of £401,391 for net incoming resources in the year, which compares to a surplus of £2,056,232 in 2011. The trading surplus, which excludes the impact of FRS17, is £114,391 for 2012 (2011 trading surplus of £176,232).

This is further analysed in the table below:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Surplus/(deficit) per SOFA (page 7)	<b>401,391</b>	2,056,232
FRS 17 Pension Adjustment (note 14)	<b><u>(287,000)</u></b>	<b><u>(1,880,000)</u></b>
Trading Surplus/(Deficit)	<b><u>114,391</u></b>	<b><u>176,232</u></b>

The financial environment in which Sacro operates remains challenging, and the organisation continues to adapt rapidly to its changing circumstances. Sacro has undergone a significant period of transformation over the past two financial years, designed to increase competitiveness and enable services to demonstrate their effectiveness against clearly defined performance criteria linked to outcomes. The 2012/13 financial year presents further challenges to Sacro but the actions taken during 2011/12 ensures Sacro is well placed to respond.

**Directors' Report** *(continued)*  
**For the year ended 31 March 2012**

**Donations in kind**

Sacro appreciates the support of its approximately 100 volunteers, who are mainly involved in the following activities:

- Mediation
- Prison visiting transport
- Prisoner and families of prisoner support
- Supported accommodation
- Youth justice

**Connected charity**

On 10 October 1994, the Board of Directors approved a Trust Deed setting up the Sacro Trust. The Trustees comprise ex-officio the Chairperson, Treasurer, Board Member and nominated Trustees. Trust assessors are appointed by the Trustees from National Office staff and Sacro Services. The affairs of the Sacro Trust are examined independently from those of the Company. The contact address is the same as the registered office of Sacro.

**Statement of trustees' responsibilities**

The trustees (who are also directors of Sacro for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practise).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Sacro and of the incoming resources and application of resources, including the income and expenditure, of Sacro for that period. In preparing these financial statements, the trustees are required to:

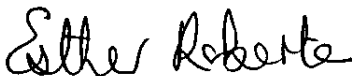
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
-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

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of Sacro and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- a) there is no relevant audit information of which Sacro's auditors are unaware; and
- b) the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Signed by order of the Board of Directors on 27 September 2012



**Esther Robertson**  
Chair

**Independent Auditors' Report to the trustees and members of Sacro  
For the year ended 31 March 2012**

We have audited the financial statements of Sacro for the year ended 31 March 2012 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and related notes set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practise).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees' Responsibilities Statement set out on page 4, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustees Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of Sacro's affairs as at 31 March 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

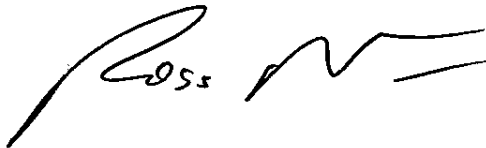
**Independent Auditors' Report to the trustees and members of Sacro**  
***For the year ended 31 March 2012***

**Matters on which we are required to report by exception**

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

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

Signature:



Senior Statutory Auditor: Ross McLauchlan

For and behalf of **Wylie & Bisset LLP**

Wylie & Bisset LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

168 Bath Street

Glasgow

G2 4TP

Date: 27 September 2012



## Income and Expenditure Account and Statement of Financial Activities

For the year ended 31 March 2012

		Restricted Funds 2012	Unrestricted Funds 2012	Total Funds 2012	Total Funds 2011
	Note	£	£	£	£
<b>Incoming resources from</b>					
<b>Generated Funds</b>					
Voluntary Income		-	405,644	405,644	415,849
Investment income		-	59,877	59,877	47,449
Other incoming resources	14	-	231,000	231,000	87,000
<b>Incoming resources from</b>					
<b>charitable activities</b>					
Youth Justice	2	1,079,725	487,758	1,567,483	1,703,056
Criminal Justice	2	2,175,335	1,847,689	4,023,024	4,080,578
Community Mediation	2	938,414	139,383	1,077,797	1,563,925
General income	2	-	53,706	53,706	57,047
<b>Total incoming resources</b>		<u>4,193,474</u>	<u>3,225,057</u>	<u>7,418,531</u>	<u>7,954,904</u>
<b>Resources expended on charitable</b>					
<b>activities</b>					
Youth Justice	3	1,153,851	484,309	1,638,160	1,733,652
Criminal Justice	3	2,020,250	2,269,289	4,289,539	2,572,066
Community Mediation	3	951,057	118,938	1,069,995	1,572,211
<b>Governance costs</b>	4	7,650	11,796	19,446	20,743
<b>Total resources expended</b>	5	<u>4,132,808</u>	<u>2,884,332</u>	<u>7,017,140</u>	<u>5,898,672</u>
<b>Net incoming resources for the</b>					
<b>year before transfers</b>		60,666	340,725	401,391	2,056,232
<b>Gross transfers between funds</b>		<u>(24,202)</u>	<u>24,202</u>	<u>-</u>	<u>-</u>
<b>Net incoming resources for the</b>					
<b>year</b>		36,464	364,927	401,391	2,056,232
Actuarial gains/(losses) on retirement					
benefit scheme	13	-	(520,000)	(520,000)	2,239,000
<b>Net movement in funds</b>		<u>36,464</u>	<u>(155,073)</u>	<u>(118,609)</u>	<u>4,295,232</u>
Fund balances at 31 March 2011		2,353,060	1,563,390	3,916,450	(378,782)
<b>Fund balances at 31 March 2012</b>		<u>2,389,524</u>	<u>1,408,317</u>	<u>3,797,841</u>	<u>3,916,450</u>

All the results of Sacro relate to continuing operations. Sacro has no recognised gains or losses other than those included above. There is no difference between the surplus for the year stated above and its historical cost equivalent.

The net incoming resources excluding the impact of FRS17 pension movements (i.e. the trading surplus/deficit) is a surplus of £114,391 for the year compared to a surplus of £176,232 in the year to 31 March 2011.

The notes on pages 10 to 18 form part of these financial statements.



SAFEGUARDING COMMUNITIES – REDUCING OFFENDING

**Balance Sheet**  
**as at 31 March 2012**

	Notes	2012	2011
		£	£
<b>Current assets</b>			
Debtors	7	726,608	625,038
Cash at bank and in hand		<u>4,569,834</u>	<u>4,230,868</u>
		5,296,442	4,855,906
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	8	<u>(1,133,601)</u>	<u>(807,456)</u>
<b>Net assets excluding pension scheme asset</b>		<u>4,162,841</u>	<u>4,048,450</u>
Defined benefit pension scheme (Liability)/asset		<u>(365,000)</u>	<u>(132,000)</u>
<b>Net assets</b>		<u>3,797,841</u>	<u>3,916,450</u>
<b>Reserves</b>			
Unrestricted Funds:	11		
General funds		1,488,292	1,422,526
Designated funds		<u>285,025</u>	<u>272,864</u>
Total Unrestricted Funds excluding pension reserve		1,773,317	1,695,390
Pension Reserve	13	<u>(365,000)</u>	<u>(132,000)</u>
<b>Total Unrestricted Funds including pension reserve</b>		1,408,317	1,563,390
Restricted Funds	11	<u>2,389,524</u>	<u>2,353,060</u>
<b>Total funds of charity</b>		<u>3,797,841</u>	<u>3,916,450</u>

The financial statements were authorised for issue on 27 September 2012

**Esther Robertson**

Chair

Sacro – Registration Number SC086651

**Robert Marshall**

Treasurer

The notes on pages 10 to 18 form part of these financial statements.

**Notes to the financial statements** *(continued)*  
**for the year ended 31 March 2012**

	<i>Note</i>	<b>2012</b> £	<b>2011</b> £
Net cash inflow/(outflow) from operating activities	1	279,089	221,965
Returns on investments and servicing of finance			
Bank interest		<u>59,877</u>	<u>47,449</u>
Increase/(decrease) in cash	2	<u>338,966</u>	<u>269,414</u>

**Notes to the cash flow statement**  
**For the year ended 31 March 2012**

<b>1. Reconciliation of operating surplus to net cash inflow from operating activities</b>	<b>2012</b> £	<b>2011</b> £
Operating surplus/(deficit)	401,391	2,056,232
(Increase)/decrease in debtors	(101,570)	(188,548)
Increase/(decrease) in creditors	326,145	281,730
Less: Pension Fund (FRS17) adjustment	(287,000)	(1,880,000)
Investment income	<u>(59,877)</u>	<u>(47,449)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>279,089</u></b>	<b><u>221,965</u></b>
<b>2. Reconciliation of net cash flow to movement in net funds</b>	<b>2012</b> £	<b>2011</b> £
Increase/(decrease) in cash	338,966	269,414
Net liquid resources at 1 April 2011	<u>4,230,868</u>	<u>3,961,454</u>
<b>Net liquid resources at 31 March 2012</b>	<b><u>4,569,834</u></b>	<b><u>4,230,868</u></b>

**Notes to the financial statements** *(continued)*  
**for the year ended 31 March 2012**

**1. Accounting policies**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention (as modified by the revaluation of investments), and are in accordance with applicable Accounting Standards and the Statement of Recommended Practice – Accounting By Charities (SORP 2005).

**Incoming resources**

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Voluntary income is received by way of grants, donations and gifts and is included in full in the Statement of Financial Activities when receivable. Grants, where entitlement is not conditional on the delivery of a specific performance by the charity, are recognised when the charity becomes unconditionally entitled to the grant.
- Donated services and facilities are included at the value to the charity where this can be quantified. The value of services provided by volunteers has not been included in these accounts.
- Investment income is included when receivable.
- Incoming resources from grants, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance.

Income is only deferred when:

- The donor specifies that the grant or donation must only be used in future accounting periods;  
or
- The donor has imposed conditions which must be met before the charity has unconditional entitlement.

**Pensions**

During the year, payments were made to a defined benefit scheme, Strathclyde Pension Fund, and also to a personal pension plan. The cost of pension contributions is charged to the income and expenditure account and Statement of Financial Activities in the year to which it relates.

**Taxation**

The company is a charitable company within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied for charitable purposes only.

**VAT**

The company is not registered for VAT and accordingly expenditure includes VAT where appropriate.

**Legal Status**

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £5.

**Notes to the financial statements *(continued)***  
***for the year ended 31 March 2012***

**Fixed assets and depreciation**

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

Office equipment     - 3 years

The acquisition of any single item with a purchase price of over £5,000 including VAT will be capitalised and depreciated in line with the above policy. This is with the exception of expenditure of a capital nature that has been directly funded in a specific period which will then be expensed through the same accounting period.

**Definition of funds**

Unrestricted funds comprise: designated funds, which have been set aside by the Directors to fund specific future projects in the furtherance of Sacro's objectives; and the general reserve. Restricted funds are funds subject to specific restrictions imposed by the donor or funding authority. Where services have closed with surplus funds and these are not going to be clawed back by the funder, these surpluses have been transferred from restricted funds to unrestricted funds.

**Operating leases**

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**Resources expended**

Resources expended are charged directly to charitable activities or governance costs as appropriate. Where it is not possible to attribute costs directly, they are allocated on a basis appropriate to the nature of the expenditure. Support costs are allocated in proportion to income of each project or service.

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

- Costs of generating funds comprise the costs associated with attracting voluntary income and the costs of trading for fundraising purposes.
- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity
- All costs are allocated between the expenditure categories of the SoFA on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis e.g. floor areas, per capita or estimated usage as set out in Note 3.

**Investments**

Investments are included at market value. Gains and losses are recognised in the year to which they relate.

**Notes to the financial statements (continued)**  
for the year ended 31 March 2012

**2. Incoming resources from charitable activities**

	Youth Justice	Criminal Justice	Community Mediation	General	Total 2012	Total 2011
	£	£	£	£	£	£
Local authorities	1,358,771	3,659,405	912,861	-	5,931,037	6,784,817
Scottish Government funding	-	126,359	49,000	53,616	228,975	306,511
Rent and service charges	39,598	58,532	-	-	98,130	68,309
Other income	<u>169,114</u>	<u>178,728</u>	<u>115,936</u>	<u>90</u>	<u>463,868</u>	<u>244,969</u>
<b>Total</b>	<b><u>1,567,483</u></b>	<b><u>4,023,024</u></b>	<b><u>1,077,797</u></b>	<b><u>53,706</u></b>	<b><u>6,722,010</u></b>	<b><u>7,404,606</u></b>

**3. Analysis of resources expended on charitable activities**

	Youth Justice	Criminal Justice	Community Mediation	Total 2012	Total 2011
	£	£	£	£	£
Direct costs	1,384,805	3,682,127	904,513	5,971,445	6,485,337
Support costs	253,355	663,412	165,482	1,082,249	1,185,592
FRS 17 Pension adjustment (note 14)	-	<u>(56,000)</u>	-	<u>(56,000)</u>	<u>(1,793,000)</u>
<b>Total</b>	<b><u>1,638,160</u></b>	<b><u>4,289,539</u></b>	<b><u>1,069,995</u></b>	<b><u>6,997,694</u></b>	<b><u>5,877,929</u></b>

The FRS 17 Pension adjustment of (£56,000) (shown above) has been applied to unrestricted expenditure on the Statement of Financial Activities (page 7), where Criminal Justice unrestricted expenditure is (£2,269,289). The actual figure before the FRS17 adjustment would show the unrestricted Criminal Justice expenditure as £2,325,289.

*Support costs analysed as:*

	Youth Justice	Criminal Justice	Community Mediation	Total 2012	Total 2011
	£	£	£	£	£
Staff salary costs	177,932	465,917	116,219	760,068	877,008
Other staff costs	12,992	34,018	8,486	55,496	45,497
Property costs	17,716	46,390	11,571	75,677	93,170
Administration costs	<u>44,715</u>	<u>117,087</u>	<u>29,206</u>	<u>191,008</u>	<u>169,917</u>
<b>Total</b>	<b><u>253,355</u></b>	<b><u>663,412</u></b>	<b><u>165,482</u></b>	<b><u>1,082,249</u></b>	<b><u>1,185,592</u></b>

**Notes to the financial statements (continued)**  
**for the year ended 31 March 2012**

**4. Governance costs**

	2012 £	2011 £
Audit fee	10,035	10,449
Servicing of Board Meetings	8,292	8,898
Trustee expenses	<u>1,119</u>	<u>1,396</u>
	<u>19,446</u>	<u>20,743</u>

Four Trustee's received reimbursement of travel expenses and subsistence during the year (2011, Four) amounting to £1,119 (2011, £1,396). The Company has also arranged directors and officer indemnity insurance at no additional cost (2011, £nil). None of the Trustees received any remuneration in the year (2011, £nil).

No trustee or other person related to the charity had any personal interest in any contract or transaction entered into by the charity during the year (2011, £nil).

**5. Total resources expended are stated after charging:**

	2012 £	2011 £
Auditor's remuneration:		
Audit fee	10,035	10,449
Operating lease rentals		
Land & buildings	277,824	225,666
Equipment	<u>13,430</u>	<u>17,475</u>

**6. Analysis of staff costs**

	2012 £	2011 £
Salaries	4,374,160	4,962,131
Social Security	300,255	345,323
Pension	<u>816,834</u>	<u>879,946</u>
	<u>5,491,249</u>	<u>6,187,400</u>
The average number of employees during the year was:		
Permanent/temporary staff	172	194
Sessional staff	<u>158</u>	<u>152</u>

One employee was paid between £90,000 and £100,000 in the year. Pension contributions for this member of staff in the year amounted to £19,107. Retirement benefits are accruing for this member of staff.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 March 2012*

**7. Debtors**

	2012 £	2011 £
Grants due from local authorities & Scottish government	543,158	449,472
Sundry debtors and prepayments	162,503	168,424
Accrued income	<u>20,947</u>	<u>7,142</u>
	<u>726,608</u>	<u>625,038</u>

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

	2012 £	2011 £
Deferred income	592,033	343,403
Trade creditors	154,106	158,367
Sundry creditors	14,680	3,964
Social security and other taxes	106,686	97,573
Accruals	<u>266,096</u>	<u>204,149</u>
	<u>1,133,601</u>	<u>807,456</u>

**9. Deferred income**

	2012 £	2011 £
Deferred income brought forward	343,403	100,702
Utilised in year	(343,403)	(100,702)
Received in year	<u>592,033</u>	<u>343,403</u>
	<u>592,033</u>	<u>343,403</u>

Income has been deferred where Sacro has received income for which the criterion for recognition has not yet been met and appropriate documented evidence of this need to defer being received from the donor.

**10. Analysis of net assets between funds**

	Net current assets £
Restricted assets	2,389,524
Unrestricted assets	<u>1,408,317</u>
	<u>3,797,841</u>

Service funds are received to support specific work in specific areas. These funds are held as restricted funds and accounted for separately. Such funds cannot be used to support the general work of Sacro.



**Notes to the financial statements (continued)**  
**for the year ended 31 March 2012**

**11. Distribution of funds**

	Balance 1.4.11 £	Incoming resources £	Expenditure & transfers £	Balance 31.3.12 £
Unrestricted	1,422,526	2,994,057	2,928,291	1,488,292
Designated	272,864	-	(12,161)	285,025
Pension fund	(132,000)	231,000	464,000	(365,000)
Restricted funds	<u>2,353,060</u>	<u>4,193,474</u>	<u>4,157,010</u>	<u>2,389,524</u>
	<u>3,916,450</u>	<u>7,418,531</u>	<u>7,537,140</u>	<u>3,797,841</u>

Designated funds at the year end are split into three main funds:-

- £45,500 is set aside for Sacro to meet potential liabilities in regards to obligations under full repairing leases for its properties.
- £164,432 is funding that has been set aside in order to meet the cost of future staff training which Sacro is legally obliged to provide.
- £75,093 has been received from the Legacy of Isabella Holliday who died in 1993. Sacro has recognised this income within General Reserves over the years. In the will of Miss Holliday no purpose was set out – and as such the decision has been made to hold these funds within a designated reserve until a specific use can be identified.

Restricted funds at the year end, broken down into categories are as follows:-

	2012 £
Youth Justice	442,228
Criminal Justice	788,632
Community Mediation	546,017
IT Reserves	110,906
Property Reserves	<u>501,741</u>
	<u>2,389,524</u>

Sufficient funds are held in an appropriate form to enable each fund to be applied in accordance with its restrictions.

**12. Operating lease commitments**

The annual commitments on non-cancellable operating leases are £291,254, expiring as follows:

	Land & buildings £	Others £	Total £
Within 1 year	94,049	8,602	102,651
Between 2 and 5 years	133,775	4,828	138,603
More than 5 years	<u>50,000</u>	<u>-</u>	<u>50,000</u>
	<u>277,824</u>	<u>13,430</u>	<u>291,254</u>

**Notes to the financial statements** *(continued)*  
**for the year ended 31 March 2012**

**13 Pension costs**

Sacro is a member of The Strathclyde Pension Fund, a defined benefit scheme. During the year ended 31 March 2012 contributions for employees were variable dependant on salary as at 31 March 2011 the employer contributions were 19.3%. The charge for the period was £816,834 (2011: £879,946) as stated in note 6.

The most recent valuation of the pension scheme was as at 31 March 2012 using the Projected Unit Method. The major assumptions used by the actuary were:

<b>Assumptions as at</b>	<b>2012 % p.a.</b>	<b>2011 % p.a.</b>	<b>2010 % p.a.</b>
Price increases	2.5	2.8	3.8
Salary increases	4.8	5.1	5.3
Pension increases	5.8	6.9	3.8
Discount rate	4.8	5.5	5.5

The assets in the scheme and the expected rate of return were:

<b>Assets (employer)</b>	<b>Long term return At 31 Mar 2012 % p.a.</b>	<b>Assets At 31 Mar 2012 £'000</b>	<b>Long term return At 31 Mar 2011 % p.a.</b>	<b>Assets At 31 Mar 2011 £'000</b>	<b>Long term return At 31 Mar 2010 % p.a.</b>	<b>Assets At 31 Mar 2010 £'000</b>
Equities	6.3%	12,935	7.5%	12,723	7.8%	11,165
Bonds	3.9%	1,848	4.9%	2,148	5.0%	1,885
Property	4.4%	1,176	5.5%	991	5.8%	1,015
Cash	3.5%	840	4.6%	661	4.8%	435
	<b>5.8%</b>	<b>16,799</b>	<b>6.9%</b>	<b>16,523</b>	<b>7.2%</b>	<b>14,500</b>

<b>Net pension liability as at</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
Estimated employer assets	<b>16,799</b>	<b>16,523</b>	<b>14,500</b>
Present value of scheme liabilities	<b>17,128</b>	<b>16,616</b>	<b>18,713</b>
Present value of unfunded liabilities	<b>36</b>	<b>39</b>	<b>38</b>
Total value of liabilities	<b>17,164</b>	<b>16,655</b>	<b>18,751</b>
Net pension liability	<b>(365)</b>	<b>(132)</b>	<b>(4,251)</b>

**Notes to the financial statements (continued)**  
**for the year ended 31 March 2012**

**13 Pension costs (continued)**

	Year to 31 March 2012 £'000	Year to 31 March 2011 £'000
<b>Analysis of the amount charged to net incoming resources</b>		
Current service cost	565	822
Past service cost	-	(1,912)
Total operating charge	<u>565</u>	<u>(1,090)</u>
	Year to 31 March 2012 £'000	Year to 31 March 2011 £'000
<b>Analysis of amount credited to other finance income</b>		
Expected return on employer assets	1,166	1,074
Interest on pension scheme liabilities	<u>(935)</u>	<u>(987)</u>
Net return	<u>231</u>	<u>87</u>
	Year to 31 March 2012 £'000	Year to 31 March 2011 £'000
<b>Analysis of amounts included in other recognised gains and losses:</b>		
Actual return less expected return on pension scheme assets	(520)	102
Changes in financial assumptions underlying the present value of the scheme liabilities	-	<u>2,137</u>
Actuarial (loss)/gain recognised in net movement of funds	<u>(520)</u>	<u>2,239</u>
	Year to 31 March 2012 £'000	Year to 31 March 2011 £'000
<b>Movement in deficit during the year:</b>		
Deficit at beginning of the year	(132)	(4,251)
Current service cost	(565)	(822)
Losses on curtailment	(195)	(88)
Employer contributions	813	788
Contributions in respect of unfunded benefits	3	3
Past service costs	-	1,912
Net return on assets	231	87
Actuarial (losses)/gains	<u>(520)</u>	<u>2,239</u>
Deficit at end of year	<u>(365)</u>	<u>(132)</u>



SAFEGUARDING COMMUNITIES – REDUCING OFFENDING

**Notes to the financial statements (continued)**  
for the year ended 31 March 2012

**13 Pension costs (continued)**

History of experience gains and losses:	Year to 31 March 2012 £'000	Year to 31 March 2011 £'000	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Difference between the expected and actual return on assets	(1,651)	102	3,152	(3,159)
Value of assets	16,799	16,523	14,500	9,693
Percentage of assets	(9.8%)	0.0%	21.7%	(31.7%)
Experience (losses)/gains on liabilities	(1,131)	4	(2)	484
Present value of liabilities	17,164	16,655	18,751	9,562
Percentage of the present value of liabilities	(6.5%)	0.0%	(0.0%)	0.5%
Actuarial (losses)/gains	(520)	2,239	(4,580)	(1,706)
Present value of liabilities	17,164	16,655	18,751	9,562
Percentage of the present values of liabilities	(3%)	13.4%	(24.4%)	(17.8%)

**14 FRS 17 Pension Adjustment**

The pension is reported as a liability of £365,000 in the Balance Sheet at 31 March 2012 compared to a liability of £132,000 at 31 March 2011

This is principally due to the fact that the actuarial assumptions at 31 March 2012 are less favourable than they were at 31 March 2011, coupled with unfavourable asset returns over the year. These factors, serve to reduce the value of the pension liability reported on the face of Sacro's Balance Sheet.

The impact of the pension movement on is summarised as follows:

	Year to 31 March 2012 £	Year to 31 March 2011 £
Incoming resources		
(Contributions by Members less interest on pension liabilities)	(231,000)	(87,000)
Outgoing resources (note 3)		
(Current service cost less contributions for unfunded benefits)	<u>(56,000)</u>	<u>(1,793,000)</u>
Total FRS 17 Pension adjustment	<u>(287,000)</u>	<u>(1,880,000)</u>

**15 Related party transactions**

During the year Sacro paid Sacro Trust £nil in rent (2011 - £5,200). There was no balance outstanding by the year end.