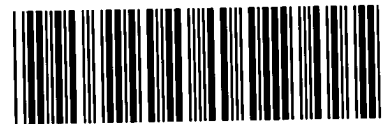


"Registrar"

COMPANY REGISTRATION NUMBER: SC404409  
CHARITY REGISTRATION NUMBER: SC042513

**Spirit Advocacy**  
**Company Limited by Guarantee**  
**Unaudited Financial Statements**  
**31 March 2018**

SATURDAY



SCT \*S7IFJ4C9\* #176  
10/11/2018  
COMPANIES HOUSE

**RITSONS**  
Chartered Accountants  
Forbes House  
36 Huntly Street  
Inverness  
IV3 5PR

**Spirit Advocacy**  
**Company Limited by Guarantee**  
**Financial Statements**  
**Year ended 31 March 2018**

	<b>Page</b>
Trustees' annual report (incorporating the director's report)	<b>1</b>
Independent examiner's report to the trustees	<b>9</b>
Statement of financial activities (including income and expenditure account)	<b>10</b>
Statement of financial position	<b>11</b>
Notes to the financial statements	<b>12</b>
<b>The following pages do not form part of the financial statements</b>	
Detailed statement of financial activities	<b>24</b>
Notes to the detailed statement of financial activities	<b>26</b>

**Spirit Advocacy**  
**Company Limited by Guarantee**  
**Trustees' Annual Report (Incorporating the Director's Report)**  
**Year ended 31 March 2018**

The trustees, who are also the directors for the purposes of company law, present their report and the unaudited financial statements of the charity for the year ended 31 March 2018.

**Reference and administrative details**

<b>Registered charity name</b>	Spirit Advocacy
<b>Charity registration number</b>	SC042513
<b>Company registration number</b>	SC404409
<b>Principal office and registered office</b>	Cromwell Villa 23 Lotland Street Inverness IV1 1ST

**The trustees**

Mr W Cook	
Mr J King	
Mrs E Law	
Mrs M Morritt	
Mr K MacLennan	
Miss F Sutherland	
Mrs M Hill	
Miss M Neilly	
Miss R A MacAulay	(Appointed 15 September 2017)
Dr G M Terry	(Appointed 6 October 2017)
Mr S F Wiseman	(Appointed 6 October 2017)
Miss E Grant	(Retired 5 June 2017)
	(Served from 14 June 2017 to 17 August 2017)
Miss G Paton	

<b>Company secretary</b>	Christine Fletcher
--------------------------	--------------------

<b>Independent examiner</b>	Daniel Palombo MA (Hons), C.A. Forbes House 36 Huntly Street Inverness IV3 5PR
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# **Spirit Advocacy**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

**Year ended 31 March 2018**

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

The company is established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the company being wound up members are required to contribute an amount not exceeding £1. Permission has been obtained from the Registrar of Companies to omit the word 'limited' from the company name.

Three part time development worker posts for HUG, a development worker for all SPIRIT volunteer activity, some additional clerical and admin support and a trainee post for a SPEAK worker.

The board has met bi-monthly and as recorded in the minutes has reviewed the work reported by staff and dealt with relevant governance and management issues.

#### **Recruitment, appointment, induction & training of trustees**

The appointment of trustees and election of office bearers has been carried out in accordance with the constitution. Trustees are selected for appointment to the Board from contacts of existing Trustees and Members. The Board of Trustees has a wide range of skills collectively and any additional training is completed as required.

Trustees serve for three years and at which time elections are held to the board from the membership. Of the board three trustees are elected by HUG (Action for Mental Health) and three trustees are elected by People First Highland, through their advisory groups. These are two projects managed by SPIRIT Advocacy. In this way involvement of service users is ensured.

HUG (Action for Mental Health) Advisory Group provides advice and expertise on work carried out to promote the voice of people with a mental health in Highland. This includes agreeing what is said on behalf of HUG (Action for Mental Health) and how that voice is found and promoted. Three members of the HUG (Action for Mental Health) Advisory Group sit on the board of trustees of SPIRIT Advocacy.

People First Highland advisory group provides advice and expertise on work carried out to promote the voice of people with a learning disability in Highland. This includes agreeing what is said on behalf of People First Highland and how that voice is found and promoted. Three members of the People First Highland advisory group sit on the board of trustees of SPIRIT Advocacy.

Trustees have where necessary been supported by staff and have engaged in activities which have enhanced their contribution to company aims and objectives.

# **Spirit Advocacy**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

**Year ended 31 March 2018**

#### **Objectives and activities**

The charity's objects are:-

- The promotion of equality and diversity and the elimination of stigma and discrimination against people with learning disabilities, mental health problems and associated conditions.
- The advancement of citizenship and community development by strengthening the collective voice of people with learning disabilities, mental health problems and associated conditions and enabling them to express their own views and make their own decisions.
- The promotion of positive mental health and wellbeing of people with learning disabilities, mental health problems and related conditions.
- Improve the lives and experiences of people with learning disabilities, mental health problems and related conditions.

The board of trustees is satisfied that all the activities of staff and volunteers have been in keeping with these.

#### **Achievements and performance**

The period April 2017 to March 2018 was an exceptionally challenging one for SPIRIT, predominantly because of the failure of NHS Highland to progress their future commissioning of advocacy services. Sadly the consequence has been that for most of the second half of this year the energies of staff and board have been concerned with planning and preparing for the possible closure, and as it turned out the downsizing and restructuring of our organisation. Despite this we have remained committed and active in supporting and developing collective advocacy for people who have learning disabilities and or who are affected by poor mental health. An audit of our contract compliance carried out by NHS Highland contracts team in March 2018 confirmed that we were fully compliant in 31 of all the 32 areas examined, and partially compliant in the remaining one.

#### **Background to the challenges faced**

The difficulty with the SPIRIT Board faced was that from a secure base level of funding from our initial Service Level Agreement we had been historically able to attract additional income. That security had however been steadily eroded and we faced the prospect in late 2017 of having to begin preparing for staff redundancy and service reduction from the start of 2018.

Our core funding has from our creation in 2011 been from our Service Level Agreement, initially jointly with Highland Council and NHS Highland, and since integration, with NHSH. This funding of circa £153,500 annually was initially for a three year agreement. As the agreement was entering year three I as chairman had begun asking at our quarterly monitoring meetings what arrangements might be in place for the potential renewal of this SLA. I was initially informed that a revised Highland Advocacy Strategy would be developed during the year (2014) and that it would set out commissioning intentions, process and timeline. In each of the following three years with no apparent progress towards the new strategy we, usually at the point the SLA was about to run out, were given a "rolling" 1 year extension. In the last year the extension was to 30th June 2018 rather than 31st March to allow time for the "implementation of the new Strategy without causing disruption to services".

In the period 2012 to 31st March 2016, our income from SLA totalled £790,000. However in the same period our budgeted expenditure on the provision of collective advocacy in Highland was £1,200,000. We achieved this because from the security of our SLA income we were able to attract grant-aided, matching and other funding.

# **Spirit Advocacy**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

#### **Year ended 31 March 2018**

Our budget for the financial year to March 2018 was for expenditure of £242,000 of which £153,500 was from our SLA. This was only possible because we had residual grant funding and also committed our remaining reserves. Our Manager and staff were informed by NHS staff at the quarterly monitoring meeting on 20th June 2017 that it was possible that a timetable for future commissioning would be available within the next two months.

In no small part because we have not been able to offer potential benefactors any reassurance about the medium term security of our organisation, we were unable to secure any further grant funding or other income commitments beyond March 2018.

#### **Consequences of contractual uncertainty over NHS Highland Funding**

As reported in the last two Trustees reports our core contract with NHS Highland was extended, at the original level of funding, but we face continuing uncertainty about how any future financial support to advocacy will be made available.

SPIRIT consolidated and adjusted our activities with new management and staff during the preceding year (2016/2017) in response to NHS Highland advising that future arrangements would follow from the development and implementation of new "Advocacy Strategy". The strategy was eventually published and adopted by the NHS board in mid-2017, but no funding or commissioning arrangements followed.

Despite increasingly urgent requests to NHS Highland, including to their Chief Executive and Board, we (as did most other 3rd sector organisations) only received an "11th hour" letter from the NHS Chief Executive in December 2017 advising that a review of 3rd sector funding would be carried out to inform commissioning, for implementation from April 2019, and our existing contract would again be carried forward until then.

The timing and delays in NHS decision making resulted in the need for the SPIRIT board having to plan for a significantly restructure and downsizing of our staffing and operations from March 2018.

The uncertainty was distressing for our members, unsettling for our staff and had a negative impact on our ability to plan for the future.

#### **Staffing**

We successfully maintained the increased staff group as described in the last two trustees' reports. Throughout the first half of the year this enabled us to support the increased level of activity and engagement reported last year. For the reasons set out above however much of the focus for the last three months of 2017, and the first three of 2018 was on consulting members and staff in preparation for the reduced operations and staff group which we have now implemented to contain all costs within out SLA income to March 2019.

The development worker for Volunteering who resigned was not replace, and other staff issued with formal redundancy notices and offered the opportunity to apply to be re-employed on a new fixed term (1 year) contracts with reduced hours and lower salaried and pension contributions.

Despite the very difficult choices all staff worked positively with the board and members through the consultation process, enabling us to avoid any involuntary redundancy. I am also delighted to be able to add that all out displaced staff who wanted to continue to work with SPIRIT have been successfully re-engaged from April 2018.

# **Spirit Advocacy**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

**Year ended 31 March 2018**

#### **Workload and activity overview**

This year was one of two halves, with continued progress and very high levels of activity giving way to the pressures of uncertainty, followed by the planning for reductions in service. The uncertainty and planning process was deeply unsettling for our members many of who required additional support and encouragement from our staff and volunteers, at a time when they had to deal with their own concerns for their futures.

#### **SPIRIT**

A major priority this year has been the development of our online presence for SPIRIT and our constituent organisations. Our new Website(s) supports our members and improves access to our substantial knowledge base and archives for everyone. Details of all the work and initiatives briefly summarised below are now available openly on line.

#### **HUG/ Mental Health activities**

Work continued throughout the year facilitating meetings with members, supporting them to give testimony to a wide range of audiences and to participate in planning, consultation and the training of NHS staff and Mental Health Officers. Examples include:-

- New Craigs Hospital Discharge Planning
- People without Labels (Documentary film)
- Development of Inverness "Recovery College"
- Scottish Independent Advocacy Alliance Code of Practice
- Community Empowerment Scotland Act
- Mental Health Foundation/University of Strathclyde -Public Life Matters
- Scottish Mental Health Arts and Film Festival

#### **Young People**

Consultation with members on if or how we should work with younger people in the 14-24 age range resulted in a very strong response that SPIRIT and HUG should actively support and promote the SPEAK initiative. Many if not most of our members refer to having first experiences their own illness as young people and having had nowhere to turn when they were unable to get the help or support they needed.

#### **People First Highland Learning Disability activities**

PFH continue to work with members and others across Highland to support them in expressing their needs, challenging stigma and identifying their priorities for service development and changes to professionals and others.

A two day residential planning exercise was held in November from which a revised set of priorities and work plan was developed. Far and away the highest priority for all PHF members is the question of how well (or not in many cases) we are supported to live our lives. A wide ranging look at the realities of how well "Personalised support" is actually working for our members will be the focus of our next work phase.

#### **SDS**

People First activity has been very focused on partnership working to deliver training to professionals, potential users, families and the wider community on the implementation of Self Directed Support. This has included supporting PFH Highland members into paid employment on the project. As the project moved towards its conclusion we began work on evaluation, and support the temporary staff to plan for their futures.

# **Spirit Advocacy**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

**Year ended 31 March 2018**

#### **Learning Disability user lead**

This half time post, fully funded by NHS Highland was created to strengthen the voice of service users in the re-design, planning and review of NHH LD services. It has been directly funded outwith our SLA, but the demands of supporting the young woman to become an effective worker placed considerable strain on our SLA resources.

Negotiations with NHS Highland have resulted in agreement to us employing a young person with LD as a "Lead User" to provide a focus for their user engagement. This half time post is fully funded by NHS Highland and the appointed worker will be joining our staff group early in the next financial year.

#### **Conclusion**

Despite the challenges outlined at the start of this report SPIRIT has continued to deliver on its contracted responsibilities to the full satisfaction of funders, and to achieve consistently very high grading in evaluations from participants in all the events it has delivered or to which it has contributed. We hope that NHS Highland, our principle funders, will in the near future make clear their commissioning intentions for collective advocacy to enable us to progress our plans and secure additional financial support for future years.

#### **Financial review**

Principal funders for the year have been:

- NHS Highland and Highland Council

These organisations jointly fund our core collective advocacy and awareness raising work as listed in a one year service level agreement agreed between them and the board of trustees of SPIRIT Advocacy which ran to 30 June 2017. A further source level agreement was agreed to cover the period from 1 July 2017 to 30 June 2018.

- Comic Relief

This funded Live Life Well; a 3 year project to focus on mental health needs of the over 50's in the Highlands.

- See me

Funded the development of the 'Hear Me' project, which is aimed at parents with mental illness, whose children have been taken into care.

- The Volant Charitable Trust

Previous 1 year grant awarded to SPEAK; this is me project. SPEAK also received funding through the Youth Philanthropy Initiative.

- Royal Horticultural Society

Previous 1 year grant awarded for a garden project.

- NHS Highland

One year project for the provision of a Learning Disability Advisor.



# **Spirit Advocacy**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

#### **Year ended 31 March 2018**

##### **Reserves policy**

The charity operates two types of reserves: Restricted and Unrestricted funds. Restricted funds are funds that must be used for a specific purpose.

Expenditure from funding exceeded income resulting in a deficit of £150,186 (2017 - surplus of £23,139) for the year.

Included in the accounts to 31 March 2017 was income of £76,738 received in advance relating to 2018. This amounted to £23,339 from NHS Highland for People 1st and £53,399 from NHS Highland for HUG Activities. These amounts are included in the brought forward restricted funds balances for these projects and are shown in note 20 of the accounts.

Unrestricted reserves at 31 March 2018 were £6,646 and restricted reserves were £4,725.

The reserves policy of SPIRIT has always been to maintain sufficient reserves to meet our obligations for redundancy pay, and those costs associated with the winding up of the organisation (including final accounts, etc.) should it become clear that our core funding from NHS Highland would not continue.

For the last few years we have always managed to carry forward additional uncommitted underspend, over and above the required reserves. As the real value of our core funding from NHS Highland has decreased, and uncertainty about NHS Highland's future funding has inhibited our ability to secure additional grant support from charitable trusts, these funds have been depleted year on year as set out in the annual reports, but allowed us to maintain activity and staffing levels in pursuance of our aims and objectives.

At meetings in 2015, 2016 and 2017 NHS Highland also advised that they would be likely (as do many grant awarding organisations) to take uncommitted reserves held by beneficiary organisations into consideration when assessing the need for and level of future financial support.

The trustees decided in good faith in 2016/2017 to agree a budget which would exhaust the reserves by the end of 2017/2018 financial year. This decision was because we had been advised by NHS Highland that decisions about future advocacy policy and consequential funding arrangements would be made and implemented within this year.

In light of the continuing uncertainty set out in this report the board has set a budget for 2018/2019 which assumed no additional income beyond the roll forward award by NHS Highland to the end of March 2019. That budget will include provision for unforeseen critical contingencies and any statutory redundancy payments and closure costs but assume no other reserves.

On the 31 October 2018 NHS Highland confirmed that the funding for the project would be extended for a further three months to the 30 June 2019.

##### **Going concern**

For the first time the board considered in 2016/2017 the prospect of having to wind up SPIRIT as a going concern if a commitment to future funding from NHS Highland could not be secured. Having been unable to secure any future funding commitment the board planned a final winding up exercise commencing December 2017. In preparation for winding up all staff were formally notified of their forthcoming redundancy and a formal consultation commenced.

In December a letter was then received from the NHS Highland Chief Executive extending our core funding from end June 2018 to end March 2019. As a result and in consultation with all staff and our full membership a reduced operation was agreed for 2018/19 and most staff were subsequently re-employed on reduced fixed term contracts as set out in this report. This structure will allow us to continue to offer a (reduced) service to our membership within the budget commitment from NHS Highland until the end of March 2019.

# Spirit Advocacy

## Company Limited by Guarantee

### Trustees' Annual Report (Incorporating the Director's Report) *(continued)*

#### Year ended 31 March 2018

In October 2018 NHS Highland confirmed that the funding would be extended for a further three months to 30 June 2019. If confirmation of future funding from that or any other source is not forthcoming by mid March 2019 the board will commence winding up SPIRIT effective from 30 June 2019, at which point it is not anticipated that there will be any residual funds or debts.

#### Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

The trustees' annual report was approved on 5-11-18 and signed on behalf of the board of trustees by:



Mrs E Law  
Trustee

# Spirit Advocacy

## Company Limited by Guarantee

### Independent Examiner's Report to the Trustees of Spirit Advocacy *(continued)*

#### Year ended 31 March 2018

I report on the financial statements for the year ended 31 March 2018, as set out on pages 10 to 22. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work, for this report, or for the opinions I have formed.

#### **Responsibilities and basis of report**

As the trustees of the company (and also its directors for the purposes of company law) you are responsible for the preparation of the financial statements in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 ('the 2005 Act'), the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Companies Act 2006 ('the 2006 Act'). You are satisfied that the accounts of the company are not required by charity or company law to be audited and have chosen instead to have an independent examination.

Having satisfied myself that the accounts of the company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of the charity's accounts carried out under section 44(1)(c) of the 2005 Act. In carrying out my examination I have followed the requirements of Regulation 11 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

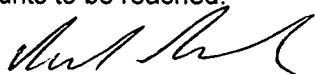
#### **Independent examiner's statement**

Since the charity is required by company law to prepare its accounts on an accruals basis and is registered as a charity in Scotland your examiner must be a member of a body listed in Regulation 11(2) of the Charities Accounts (Scotland) Regulations 2006 (as amended). I can confirm that I am qualified to undertake the examination because I am a registered member of ICAS which is one of the listed bodies.

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

1. accounting records were not kept in respect of the charity as required by section 386 of the 2006 Act, section 44(1)(a) of the 2005 Act and Regulation 4 of the 2006 Accounts Regulations; or
2. the financial statements do not accord with those records or with the accounting requirements of Regulation 8 of the Charities Accounts (Scotland) Regulations 2006; or
3. the financial statements do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair' view which is not a matter considered as part of an independent examination; or
4. the financial statements have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.



Daniel Palombo MA (Hons), C.A.  
Independent Examiner

Forbes House  
36 Huntly Street  
Inverness  
IV3 5PR

**Spirit Advocacy**  
**Company Limited by Guarantee**  
**Statement of Financial Activities**  
**(including income and expenditure account)**

**Year ended 31 March 2018**

		2018	2017
		Unrestricted funds	Restricted funds
	Note	£	£
			Total funds
		£	£
<b>Income and endowments</b>			
Donations and legacies	5	205	82,739
Charitable activities	6	7,632	–
<b>Total income</b>		7,837	82,739
<b>Expenditure</b>			
Expenditure on charitable activities	7,8	17,748	223,014
Other expenditure	10	–	–
<b>Total expenditure</b>		17,748	223,014
<b>Net (expenditure)/income</b>		(9,911)	(140,275)
Transfers between funds		(19,347)	19,347
<b>Net movement in funds</b>		(29,258)	(120,928)
<b>Reconciliation of funds</b>			
Total funds brought forward		35,904	125,653
<b>Total funds carried forward</b>		6,646	4,725

The statement of financial activities includes all gains and losses recognised in the year.  
All income and expenditure derive from continuing activities.

The notes on pages 12 to 22 form part of these financial statements.

**Spirit Advocacy**  
**Company Limited by Guarantee**  
**Statement of Financial Position**

**31 March 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible fixed assets	16	1,399	2,848
<b>Current assets</b>			
Debtors	17	609	1,099
Cash at bank and in hand		16,920	163,733
		<u>17,529</u>	<u>164,832</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>7,557</u>	<u>6,123</u>
<b>Net current assets</b>		<b>9,972</b>	<b>158,709</b>
<b>Total assets less current liabilities</b>		<b>11,371</b>	<b>161,557</b>
<b>Net assets</b>		<b>11,371</b>	<b>161,557</b>
<b>Funds of the charity</b>			
Restricted funds		4,725	125,653
Unrestricted funds		6,646	35,904
<b>Total charity funds</b>	20	<b>11,371</b>	<b>161,557</b>

For the year ending 31 March 2018 the charity was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements were approved by the board of trustees and authorised for issue on 5-11-18, and are signed on behalf of the board by:

  
Mrs E Law  
Trustee

The notes on pages 12 to 22 form part of these financial statements.

**Spirit Advocacy**  
**Company Limited by Guarantee**  
**Notes to the Financial Statements**  
**Year ended 31 March 2018**

**1. General information**

The charity is a public benefit entity and a private company limited by guarantee, registered in Scotland and a registered charity in Scotland. The address of the registered office is Cromwell Villa, 23 Lotland Street, Inverness, IV1 1ST.

**2. Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', the Statement of Recommended Practice 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)) and the Companies Act 2006.

**3. Accounting policies**

**Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through income or expenditure.

The financial statements are prepared in sterling, which is the functional currency of the entity.

**Going concern**

The charity's current contract for Advocacy work funded by NHS Highland will come to an end on 30 June 2019. The charity is currently in negotiations with the funder for a new contract, however as of yet the charity has been unable to secure any future funding commitment beyond 30 June 2019. Due to a reduction in funding for the period to 31 March 2019 together with uncertainty over future funding, a reduced operation for 2018/2019 was agreed and subsequently most staff were re-employed on a reduced fixed term contract. This structure will allow us to continue to offer (a reduced) service to our membership within the budget commitment for NHS Highland until the end of June 2019. If confirmation of future funding from that or any other source is not forthcoming by mid March 2019 the board will commence winding up of the charity effective from 30 June 2019 at which point it is not anticipated there will be any residual funds or debts.

The trustees consider that the charity carries adequate unrestricted reserves to meet its current obligations. On this basis the trustees consider it appropriate to prepare the accounts on the going concern basis.

**Disclosure exemptions**

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.

# **Spirit Advocacy**

## **Company Limited by Guarantee**

### **Notes to the Financial Statements *(continued)***

**Year ended 31 March 2018**

#### **3. Accounting policies *(continued)***

##### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **Fund accounting**

Unrestricted funds are available for use at the discretion of the trustees to further any of the charity's purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular future project or commitment.

Restricted funds are subjected to restrictions on their expenditure declared by the donor or through the terms of an appeal, and fall into one of two sub-classes: restricted income funds or endowment funds.

##### **Incoming resources**

All incoming resources are included in the statement of financial activities when entitlement has passed to the charity; it is probable that the economic benefits associated with the transaction will flow to the charity and the amount can be reliably measured. The following specific policies are applied to particular categories of income:

- income from donations or grants is recognised when there is evidence of entitlement to the gift, receipt is probable and its amount can be measured reliably.
- legacy income is recognised when receipt is probable and entitlement is established.
- income from donated goods is measured at the fair value of the goods unless this is impractical to measure reliably, in which case the value is derived from the cost to the donor or the estimated resale value. Donated facilities and services are recognised in the accounts when received if the value can be reliably measured. No amounts are included for the contribution of general volunteers.
- income from contracts for the supply of services is recognised with the delivery of the contracted service. This is classified as unrestricted funds unless there is a contractual requirement for it to be spent on a particular purpose and returned if unspent, in which case it may be regarded as restricted.

**Spirit Advocacy**  
**Company Limited by Guarantee**  
**Notes to the Financial Statements** *(continued)*  
**Year ended 31 March 2018**

**3. Accounting policies** *(continued)*

**Resources expended**

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is classified under headings of the statement of financial activities to which it relates:

- expenditure on raising funds includes the costs of all fundraising activities, events, non-charitable trading activities, and the sale of donated goods.
- expenditure on charitable activities includes all costs incurred by a charity in undertaking activities that further its charitable aims for the benefit of its beneficiaries, including those support costs and costs relating to the governance of the charity apportioned to charitable activities.
- other expenditure includes all expenditure that is neither related to raising funds for the charity nor part of its expenditure on charitable activities.

All costs are allocated to expenditure categories reflecting the use of the resource. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs are apportioned between the activities they contribute to on a reasonable, justifiable and consistent basis.

**Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other recognised gains and losses, unless it reverses a charge for impairment that has previously been recognised as expenditure within the statement of financial activities. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other recognised gains and losses, except to which it offsets any previous revaluation gain, in which case the loss is shown within other recognised gains and losses on the statement of financial activities.

**Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	- 25% straight line
Equipment	- 25% straight line

**Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.



# **Spirit Advocacy**

## **Company Limited by Guarantee**

### **Notes to the Financial Statements *(continued)***

**Year ended 31 March 2018**

#### **3. Accounting policies *(continued)***

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the charity are assigned to those units.

#### **Financial instruments**

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the amount receivable or payable including any related transaction costs, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Current assets and current liabilities are subsequently measured at the cash or other consideration expected to be paid or received and not discounted.

#### **Defined contribution plans**

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as an expense in the period in which it arises.

#### **4. Limited by guarantee**

Spirit Advocacy is a company limited by guarantee and accordingly does not have a share capital.

Every member of the company undertakes to contribute such amount as may be required not exceeding £1 to the assets of the charitable company in the event of it being wound up while he or she is a member, or within one year after he or she ceases to be a member.

# Spirit Advocacy

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

#### 5. Donations and legacies

	Unrestricted Funds £	Restricted Funds £	Total Funds 2018 £
<b>Donations</b>			
Donations	205	—	205
<b>Grants</b>			
NHS Highland: People First	—	23,339	23,339
NHS Highland: HUG	—	53,400	53,400
SCVO	—	—	—
Birchwood Highland	—	—	—
Highland Council	—	—	—
NHS Highland: Learning Disability Advisor	—	6,000	6,000
	<u>205</u>	<u>82,739</u>	<u>82,944</u>

	Unrestricted Funds £	Restricted Funds £	Total Funds 2017 £
<b>Donations</b>			
Donations	387	—	387
<b>Grants</b>			
NHS Highland: People First	—	70,017	70,017
NHS Highland: HUG	—	160,199	160,199
SCVO	—	548	548
Birchwood Highland	—	1,000	1,000
Highland Council	—	3,000	3,000
NHS Highland: Learning Disability Advisor	—	—	—
	<u>387</u>	<u>234,764</u>	<u>235,151</u>

#### 6. Charitable activities

	Unrestricted Funds £	Total Funds 2018 £	Unrestricted Funds £	Total Funds 2017 £
Cantraybridge	7,632	7,632	7,632	7,632
Other income	—	—	506	506
	<u>7,632</u>	<u>7,632</u>	<u>8,138</u>	<u>8,138</u>

# Spirit Advocacy

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

#### 7. Expenditure on charitable activities by fund type

	Unrestricted Funds £	Restricted Funds £	Total Funds 2018 £
General Operations	9,466	—	9,466
SCVO	—	—	—
Comic Relief	—	17,127	17,127
People 1st	—	48,234	48,234
NHS Scotland - learning Disability Advisor	—	4,211	4,211
Cantraybridge	8,282	—	8,282
HUG Activities	—	101,585	101,585
Volant Project	—	—	—
SPEAK DA	—	8,057	8,057
See Me	—	209	209
Support costs	—	43,591	43,591
	<u>17,748</u>	<u>223,014</u>	<u>240,762</u>

	Unrestricted Funds £	Restricted Funds £	Total Funds 2017 £
General Operations	18,750	—	18,750
SCVO	—	548	548
Comic Relief	—	—	—
People 1st	—	38,046	38,046
NHS Scotland - learning Disability Advisor	—	—	—
Cantraybridge	—	—	—
HUG Activities	—	107,435	107,435
Volant Project	—	1,179	1,179
SPEAK DA	—	8,859	8,859
See Me	—	269	269
Support costs	—	45,059	45,059
	<u>18,750</u>	<u>201,395</u>	<u>220,145</u>

# Spirit Advocacy

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

#### 8. Expenditure on charitable activities by activity type

	Activities undertaken directly £	Support costs £	Total funds 2018 £	Total fund 2017 £
General Operations	9,466	—	9,466	18,750
SCVO	—	—	—	548
Comic Relief	17,127	—	17,127	—
People 1st	48,234	4,460	52,694	41,051
NHS Scotland - learning Disability				
Advisor	4,211	—	4,211	—
Cantraybridge	8,282	—	8,282	—
HUG Activities	101,585	39,131	140,716	149,489
Volant Project	—	—	—	1,179
SPEAK DA	8,057	—	8,057	8,859
See Me	209	—	209	269
	<u>197,171</u>	<u>43,591</u>	<u>240,762</u>	<u>220,145</u>

#### 9. Analysis of support costs

	People 1st £	HUG Activities £	Total 2018 £	Total 2017 £
Staff costs	—	24,918	24,918	23,304
Premises	2,727	8,872	11,599	12,126
Communications and IT	1,071	4,871	5,942	8,409
Other costs	662	470	1,132	1,220
	<u>4,460</u>	<u>39,131</u>	<u>43,591</u>	<u>45,059</u>

#### 10. Other expenditure

	Unrestricted Funds £	Total Funds 2018 £	Unrestricted Funds £	Total Funds 2017 £
Interest payable	—	—	5	5

#### 11. Net (expenditure)/income

Net (expenditure)/income is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	<u>1,449</u>	<u>432</u>

# Spirit Advocacy

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

#### 12. Independent examination fees

	2018	2017
	£	£
Fees payable to the independent examiner for:		
Independent examination of the financial statements	<u>3,282</u>	<u>3,252</u>

#### 13. Staff costs

The total staff costs and employee benefits for the reporting period are analysed as follows:

	2018	2017
	£	£
Wages and salaries	149,160	151,052
Employer contributions to pension plans	<u>11,205</u>	<u>12,112</u>
	<u>160,365</u>	<u>163,164</u>

The average head count of employees during the year was 10 (2017: 10). The average number of full-time equivalent employees during the year is analysed as follows:

	2018	2017
	No.	No.
Number of staff	<u>10</u>	<u>10</u>

No employee received employee benefits of more than £60,000 during the year (2017: Nil).

#### Key Management Personnel

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the charity. The total compensation paid to key management personnel for services provided to the charity was 2018 – £nil (2017 - £16,674).

#### 14. Trustee remuneration and expenses

No remuneration or other benefits from employment with the charity or a related entity were received by the trustees.

Three trustees were reimbursed a total of £428 (2017 - £246 four trustees) for expenses incurred while carrying out their duties.

# Spirit Advocacy

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

#### Year ended 31 March 2018

#### 15. Transfers between funds

During the year £19,096 (2017 - £6,230) was transferred from unrestricted funds to HUG to cover the overspend on the project.

During the year £700 (2017 - £nil) was transferred from HUG restricted funds to reallocate funds that related to grant provider Royal Horticultural Society for a restricted project.

During the year £296 (2017 - £41) was transferred from unrestricted funds to People 1st to cover the overspend on the project.

During the year £7,962 (2017 - £nil) was transferred from Gruntvig to unrestricted funds as the project has ended in previous years and the unspent grant did not need to be repaid.

During the year £7,917 (2017 - £9,000) was transferred from unrestricted funds to Speak DA to cover the overspend on the project.

#### 16. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>			
<b>At 1 April 2017 and 31 March 2018</b>	<u>4,681</u>	<u>9,296</u>	<u>13,977</u>
<b>Depreciation</b>			
At 1 April 2017	4,681	6,448	11,129
Charge for the year	—	1,449	1,449
<b>At 31 March 2018</b>	<u>4,681</u>	<u>7,897</u>	<u>12,578</u>
<b>Carrying amount</b>			
<b>At 31 March 2018</b>	<u>—</u>	<u>1,399</u>	<u>1,399</u>
At 31 March 2017	<u>—</u>	<u>2,848</u>	<u>2,848</u>

#### 17. Debtors

	2018 £	2017 £
Trade debtors	—	506
Prepayments and accrued income	609	593
	<u>609</u>	<u>1,099</u>

#### 18. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	22	—
Accruals and deferred income	3,759	3,610
Social security and other taxes	2,550	2,513
Other creditors	1,226	—
	<u>7,557</u>	<u>6,123</u>

# Spirit Advocacy

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

#### 19. Pensions and other post retirement benefits

##### Defined contribution plans

The amount recognised in income or expenditure as an expense in relation to defined contribution plans was £11,205 (2017: £12,112).

#### 20. Analysis of charitable funds

##### Unrestricted funds

	At 1 April 2017	Income	Expenditure	Transfers	At 31 March 2018
	£	£	£	£	£
General funds	<u>35,904</u>	<u>7,837</u>	<u>(17,748)</u>	<u>(19,347)</u>	<u>6,646</u>

##### Restricted funds

	At 1 April 2017	Income	Expenditure	Transfers	At 31 March 2018
	£	£	£	£	£
HUG Activities	68,920	53,400	(140,716)	18,396	-
People 1st	29,057	23,339	(52,692)	296	-
Comic Relief	17,127	-	(17,127)	-	-
Tesco Charitable Trust	151	-	-	-	151
Gruntvig	7,962	-	-	(7,962)	-
See Me	1,292	-	(210)	-	1,082
Choose Life	379	-	-	-	379
Caring & Sharing	502	-	-	-	502
Volant Funding	122	-	-	-	122
Speak DA	141	-	(8,058)	7,917	-
NHS Highland - Learning Disability Advisor	-	6,000	(4,211)	-	1,789
Royal Horticultural Society - garden project	-	-	-	700	700
	<u>125,653</u>	<u>82,739</u>	<u>(223,014)</u>	<u>19,347</u>	<u>4,725</u>

# Spirit Advocacy

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

#### Year ended 31 March 2018

#### 20. Analysis of charitable funds *(continued)*

##### **NHS contract funding for HUG Action for Mental Health**

Provision of collective advocacy for people with mental ill health.

##### **NHS contract funding for People First Highland**

Provision of collective advocacy for people with a learning disability.

##### **Comic Relief**

Comic relief funded 'Live Life Well', a three-year HUG project which focused on the mental health needs of the over 50s in Highland. The project's practical work was completed by 31st March 2016, with final reporting covered in the latter half of 2016. The underspend on this grant was repaid in the year ended 31st March 2018.

##### **See Me**

The national anti-stigma initiative, funded the ongoing development of HUG's 'Hear Me' project, focusing on parents with mental ill health whose children had been taken into care. In 2017, after the project's first year, a report was prepared by HUG's development worker which suggested a 'peer support' approach should be adopted in future.

##### **Caring and Sharing**

A Caring and Sharing grant was awarded to People First Highland to support its ongoing work involving people with a learning disability.

##### **Volant**

Volant awarded a one-year grant (2015-16) to SPEAK, HUG's collective advocacy project for younger people, to help with its work in schools across Highland.

##### **NHS Highland**

NHS Highland funded a one year grant for the provision of a learning disability advisor.

#### 21. Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	Total Funds 2018 £	Total Funds 2017 £
Tangible fixed assets	1,189	210	1,399	2,848
Current assets	5,457	4,515	9,972	158,709
<b>Net assets</b>	<u>6,646</u>	<u>4,725</u>	<u>11,371</u>	<u>161,557</u>

#### 22. Related parties

No trustee, or person related to the charity, had any personal interest in any contract or transaction entered into by the charity during the year.