



**Capability**  
**Scotland**

**Trustees' Report &  
Annual Accounts  
2020/2021**

**Capability Scotland**  
**Trustees Report and Accounts 2021**

**Scottish Charity Number SC011330**  
**Reference and Administrative Information**

**Charity number** SC011330

**Company number** SC036524

**Registered Office** Vantage Point, 24 St John's Road, Edinburgh, EH12 6NZ

**Company Secretary** Mr. A Philip, Director of Finance & Resources

**External Auditors** Henderson Loggie, 11 Thistle Street, Edinburgh EH2 1DF

**Internal Auditors** Wylie Bissett, 168 Bath Street, Glasgow G2 4TP

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

**Solicitors** Morton Fraser LLP Solicitors, 2 Lister Square, Edinburgh, EH3 9GL  
Brodies, LLP Solicitors, 2 Blythswood Square, Glasgow, G2 4AD  
Turcan Connell, Princes Exchange, 1 Earl Grey Street, Edinburgh, EH3 9EE

**Committee Members and Officials**

**Patron**

His Royal Highness The Duke of Edinburgh KG KT GBE

**President**

The Rt Hon. Lord Hardie QC

**Honorary Life Members**

Mr. G D Holmes CB FRSE FICFor

Mr. J Sinclair

**Board of Trustees**

**Chair** Professor A Cameron CBE

Dr J Elder-Woodward OBE

Professor A Waller OBE

Mr. M McCarron

Mr. C Johnston

Mr. C Gilmour

Mr. M Payton

Mr. B Bingham (co-opted 1 October 2020)

Dr. M Pollard (co-opted 1 October 2020)

Mr. B Supple (co-opted 1 October 2020)

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

## **Capability Scotland**

### **Trustees Annual Report incorporating the Strategic Report for the year ended 31 March 2021**

The Trustees present their Annual Report incorporating the Strategic Report and audited financial statements for the year ended 31 March 2021.

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with Capability Scotland's memorandum of association, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations and Accounting & Reporting by Charities: Statement of Recommended Practice applicable to charities.

### **Structure, Governance and Management**

Capability Scotland is a company limited by guarantee (SC036524) and a registered charity in Scotland (SC011330). The management of Capability Scotland is the responsibility of a Board of Trustees, under the terms of the Memorandum and Articles of Association dated 5 June 1961 and altered by special resolutions passed on 8 October 1997, 11 October 2006, 8 October 2008, and 7 December 2017.

The membership of Capability Scotland shall not exceed 300 and the power to admit new members is exercisable only by the Board of Trustees. Members are required to contribute an amount not exceeding £1 in the event of the charity winding up.

Trustees are invited on to the Board from people who have relevant experience and expertise, and a commitment to furthering the aims and objectives of Capability Scotland. The Board consists of not less than five members, with a requirement for one third of its membership to retire from office each year but eligible for reappointment at the Annual General Meeting. An induction programme of information meetings with senior staff and visits to services is arranged for each new Trustee, and internal training events are arranged for all Trustees on strategic themes such as governance, safeguarding and financial awareness.

The Board is responsible for strategic direction and policy, and normally meets four times in each calendar year. There are subsidiary committees covering Finance and Audit and Service Quality that also meet four times per year, and a Remuneration and Nominations Committee that meets as required.

Day-to-day management is delegated to the Chief Executive and senior managers responsible for Adult Services & Business Development, Children's Services and Finance & Resources.

### **Strategic Plan 2018-2023**

The development of Capability Scotland's Strategic Plan 2018-2023 takes place against a backdrop of challenge for third sector organisations and an external environment that has seen the continuation of the austerity agenda to the detriment of social care in Scotland,

coupled with the unprecedented impact of Covid-19 on our services, customers and staff. The plan sets the course of Capability Scotland's practice and direction from 2018 to 2023 to deliver our mission.

Capability Scotland will meet the individual needs of customers by delivering exemplary care, support, and education. By empowering every customer, we will enable them to have a voice, realise their ambitions and achieve their full potential.

### *Our Mission Statement*

We will work with people with complex and diverse needs, building on our extensive experience to create personalised care, support and education that reflects our values.

We will deliver care, support and education that provides choice and progression across all age groups and will support individuals to achieve their outcomes.

We will continue to develop innovative, high quality solutions to address gaps in care and support provision.

We will empower:

- Children and young people to achieve their true potential through education;
- Every customer to have a voice, realise their ambitions and achieve their full potential;
- Our staff by strengthening our focus on safeguarding and values, and by embedding learning and development in the workplace.

### *Our Strategic Objectives*

The Trustees identified the following objectives for our Strategic Plan 2018-2023, and these continue to be our focus:

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

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

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

We undertake voluntary fundraising activities to enable us to continue to achieve these objectives and activities and add value to the services we deliver.

The Trustees have commenced a review of the Strategic Plan in May 2021, focussing on the values, purpose, and vision for Capability Scotland and this will be further developed over the course of the year. We have strengthened our Board and Committees through the recruitment of new Trustees and launched a governance overhaul to bring our standards of governance in line with best practice.

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

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

The Trustees acknowledge the amount and speed of change that the organisation faces on an ongoing basis, particularly as a continuing consequence of Covid-19. However, they are committed to continue to drive forward with the need to modernise and develop our services despite the challenging financial and regulatory environment in which we operate.

The Trustees greatly appreciate the dedication and commitment of our staff, and none more so than during the challenges of the Covid-19 pandemic. It is a credit to our staff that services have continued to be delivered where restrictions have allowed, and our customers and learners are supported safely.

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

The Trustees were saddened by the passing of our patron, His Royal Highness The Duke of Edinburgh in April 2021. It was our privilege to have him fulfil this role and his visits to our services were memorable occasions for our customers, their families, and our staff alike.

## **Strategic Report**

### **Review of Achievements and Performance during 2020/21**

2020/21 will forever be remembered as a year of unprecedented challenge as we responded to Covid-19 and the impact felt across all areas of the organisation. The Covid-19 restrictions significantly reduced day opportunity and community-based services. We have adapted our building-based day services to be more community-focussed to ensure continuity of service to our customers. Additional controls were in place across our residential services, with additional personal protective equipment sourced to further strengthen our health and safety arrangements. Our offices were closed in March 2020 with staff successfully working from home throughout 2020/21.

During 2020/21, confirmation of funding for existing services has been encouraging and we welcomed the nationally agreed 3.3% funding increase to our social care contracts. We passed this increase to our staff through a 3.3% pay increase to all staff in recognition of their commitment and dedication throughout the pandemic.

We have welcomed the reassurance from our local authority partners regarding continued funding for our services throughout the Covid-19 crisis, although we have remained alert to gaps in Independent Living Fund and personal/private contributions linked to Self-Directed Support.

We introduced controls to monitor actual service delivery in comparison to normal operations, and our Executive Team and senior managers have met initially daily and latterly weekly by videoconference to manage the evolving situation. The commitment and professionalism of our staff right across the organisation has shone through and the Trustees are grateful for all their efforts under unprecedented circumstances.

We have made use of the Government's Job Retention Scheme and have furloughed staff where reductions in service activity required this. We have redeployed staff wherever possible, and our staff have worked flexibly with us to ensure our high levels of care and support were maintained.

The Scottish Government's Sustainability Fund has been welcome support to Capability Scotland, but it has been a challenge to navigate the local interpretations of the funding guidance issued by local authorities. We continue to work with our local authority partners on sustainability funding.

Covid-19 has been an unwelcome challenge for us all, and one that is expected to continue well into 2021/22 as our services, customers and staff adapt to new norms.

Our Operational Plan has been updated to reflect these challenges. It underpins the Strategic Plan 2018-2023 to ensure Capability Scotland is best placed to respond to changes in the external environment. The Operational Plan is monitored regularly by the Executive Team with updates submitted to the Board twice per year. The achievement of our strategic objectives will be through development, delivery, outcomes, and empowerment.

## **Development**

In 2020/21, we supported 859 children, young people, and adults through our schools, services, and projects. Our direct service provision can vary from a few hours of support each week from a community enablement service through to being resident at one of our residential care homes or 'living-in' at Stanmore House School.

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

The restrictions imposed by Covid-19 has meant that many of our services could not be delivered in the way they would normally. Our day opportunities and community-based services had to quickly adapt to changing circumstances so that we could continue to provide valuable support to our customers. Where it was no longer possible for customers to access our building-based services, we quickly repositioned our delivery to provide individual support in the community complemented with videoconferencing and social media activities. This flexibility has been welcomed by our local authority partners.

Capability Scotland remains flexible in our ability to contract with Local Authorities and Health & Social Care Partnerships (HSCP) through a variety of funding mechanisms. We still have a small number of services that are contracted through historic 'block contract' arrangements, whilst others are dependent on packages of support secured from our placement on Local Authority/ HSCP Frameworks. There is additional complexity as each Local Authority/ HSCP has interpreted self-directed support slightly differently. We are now operating with a multiplicity of funding arrangements across the country, and sometimes even in the same area.

Our Contracts Officer ensures we remain well placed in terms of tendering and framework agreements for new and existing services. Tendering activity has been comparatively quiet in 2020/21, likely due to the focus on the management of the impact of Covid-19 by commissioners and purchasers, and in anticipation of the outcome of the Scottish Government's Independent Review of Adult Social Care in Scotland. We have secured a place on the Edinburgh Framework for Residential Care, Special Schools and Supported Accommodation, and renewed places of the Scotland Excel frameworks for Adult Care Homes and our schools.

Upper Springland remains our largest service provision, and a key priority for Capability Scotland. The Upper Springland site is continually challenged by the flood risk posed by its topography and location. We have created a Project Board with dedicated project management to develop a long-term sustainable solution for the services at Upper Springland with ongoing development reports and initial business case submitted to the Board during the year.

Throughout 2020/21, we continued to prioritise the development of our Schools to meet the needs of children and young people with complex additional support needs. Both Stanmore House and Corseford Schools are supported through the Scottish Government's Grant Aided Special Schools (GASS) programme. They continue to provide vital care, support and education and allied health provision in accordance with legislative and policy drivers, principally Curriculum for Excellence. They aim to achieve outcomes for the children and young people in line with the principles of GIRFEC (Getting It Right For Every Child) and SHANNARRI (Safe, Healthy, Achieving, Nurtured, Active, Respected, Responsible and Included).

In line with Scottish Government expectations, both Schools have detailed School Improvement Plans in place and are working closely with Education Scotland to ensure that we continue to grow and develop our education provision. A Business Plan for 2020-2023 for our Schools / Education Services has been submitted to the Scottish Government, which will shape the future direction of our education provision and map out our response to the proposed phased withdrawal of the GASS grant from 2024/25.

Our schools have remained open throughout the year for the children of key workers. Where it has not been possible for learners to attend school during Covid-19 restrictions, we have maintained contact through videoconferencing to ensure continuity of support and education, whilst ensuring lessons remained fun.

Within our care homes, we experienced a number of vacancies during 2020/21 which were difficult to fill due to the Covid-19 restrictions. Vacancies at Upper Springland, Wallace Court, Lanarkshire Houses and Fife Houses all had a negative impact on income due to under-occupancy which represented a key financial risk to Capability Scotland. The restricted access to our care homes was very difficult for our residents and their families alike, but vital in our effort to provide continued care and support safely.

The Trustees approved the opportunity for us to acquire three services from a small charity, Compass, based in Dumfries, following due diligence and with effect from 1 April 2020. As part of the arrangement, we transferred across the legal entity for managing the Self-Directed Support brokerage service, Compass SDS Broker Ltd. We welcomed the former Compass staff to Capability Scotland and the services have been fully absorbed into Capability Scotland's operations during the year. The focus now is to strengthen and grow these services to expand their reach in Dumfries and Galloway.

During 2020/21, we made significant investment in our IT infrastructure and systems, reversing a period of under-investment in our IT arrangements. Our IT helpdesk support moved to a new provider from 1 April 2020, providing a more robust level of support to our IT users. We have improved connectivity at all our locations, boosting wi-fi connections and improving the experience for both staff and customers. The restrictions imposed by Covid-19 made site visits challenging, and this was particularly acute where third party telecommunications companies were required to install the cabling required for the connectivity improvements.

We appointed a new Fundraising & Communications Manager during the year, who has significantly raised our fundraising profile and social media activities across a number of platforms. We have developed our Fundraising Strategy, and this will be launched in 2021. Our staff newsletter 'In the Loop' is circulated to all staff on a monthly basis, providing information on what is happening across Capability Scotland and featuring updates from our Executive Team and Board. We launched our new Capability Scotland website in November 2020 to promote our work.

In March 2021, we launched our internal communication channel using Yammer. We provided all staff with a Capability Scotland email address to ensure everyone can access wither via a mobile phone app or web browser. Our main Yammer channel, the Capability Hub provides a central resource for all staff, including access to our policies and procedures and our staff newsletter 'In the Loop.'

### **Delivery**

We contract directly with nine key Local Authority/ HSCP and have services based in these areas, with further spot-purchase contracts with another 19 Local Authorities. Both our schools and care homes support children and adults from a wide range of areas and operate as national services.

Safeguarding continues to be at the heart of everything we do. We have reviewed our Adult and Child Protection policies and procedures and realigned lead responsibilities with the Directors of Adult Services & Business Development and Children's Services respectively. The implementation of our Values Statement; Equality, Diversity & Human Rights Policy; and Positive Behaviours Framework ensures customers, staff and volunteers of Capability Scotland feel safe and supported at all times.

Our Values Statement continues to be an integral part of our organisation and is embedded within our recruitment, induction and training, policies and procedures, and staff development.

We are committed to increasing the Health and Wellbeing of our customers and staff. Work continues on health-related practice development to enable our customers to lead healthier lives and increase our customer experience. In February 2021, we launched a Cycle to Work scheme for staff, and regularly promote access to our Employee Assistance Programme. Our portfolio of e-learning modules continues to increase to support staff and raise awareness of key health and wellbeing themes. We have laid the foundations for our People Strategy, which will be launched during 2021, and health and wellbeing will be a key theme.

Our robust Health and Safety policies and procedures have been instrumental in managing the impact of Covid-19 to ensure a safe environment for customers and staff, and to meet legislative requirements. The procurement of additional PPE, particularly in the early stages of the pandemic, has been difficult and required a coordinated approach to the distribution of vital supplies from three central hubs with the organisation.

The Health and Safety Committee comprised of staff, management and union appointed representatives is how we inform and consult staff about health and safety matters. The Committee met virtually during the year and has a wide remit to discuss any issue or concern that impact on health and safety and to identify or make recommendations for improvement.

We continue to pay the Scottish Living Wage (SLW) across the organisation and continue to monitor the impact of this on salary differentials for promoted staff. Local authority funding uplifts for our services remains pegged at the SLW increase, and in some cases, the full increase is not passed on to us, which is challenging in terms of affordability. We remain committed to the principles of the Fair Work Framework, which are embedded in our recruitment and induction, learning and development policies and procedures.

The General Data Protection Regulations (GDPR) continue to have a significant impact on how we manage data. The increased safeguards introduced, along with the associated extended rights, help to protect our customers, our staff and those who support us, and we continue to review our current practices and policies to make improvements.

### **Outcomes**

We currently have 24 registered care services and continue to receive very positive external certifications from the Care Inspectorate for those services inspected. Four services were inspected during 2020/21.

As part of the Care Inspectorate Inspection Regime, each service requires to have an Improvement and Development Plan in place, and this is considered as part of the inspection. We continue to adopt this Improvement and Development Plan approach to drive forward our internal commitment to the continuous development of quality services that are focused on meeting the needs of our individual customers.

2020/21 represented the first full year of the internal audit programme, designed to provide assurance on the internal controls and systems across the organisation, and to conduct value added reviews to improve our operations. Internal audits covering reviews of governance, payroll, GDPR, staff induction and exit process and the financial controls at Lanarkshire Houses were conducted by the Internal Auditors in 2020/21 and reported to the Executive Team and Finance and Audit Committee. Reviews of systems and controls, void management, IT security and compliance, and learning and development provision are scheduled for 2021.

### **Empowerment**

The Trustees receive feedback directly from those we support through our Customer Advisory Group. Its work with the Board, putting forward and responding to issues that affect the wider customer group, provides the Trustees with invaluable insight into the impact our services have on the people we support. The Have Your Say Group, a representative body of those who use our services, provides a mechanism to ensure that the Trustees and senior management hear the voice of our customers and that we hear this first-hand.

The Customer Advisory Group and Have Your Say Group have held their meetings by videoconference this year due to the restrictions imposed by Covid-19. The Chair of the Board and the Chief Executive attend Customer Advisory Group meetings at least twice per year. We have strengthened our team with the appointment of a Customer Experience Adviser to work alongside the Customer Advisory Group.

Our customers continue to be involved in the development of policies and procedures, including the use of easy read formats. Our customers also continue to be involved in external national consultations and events with a range of stakeholders, to inform and improve accessibility on a wide range of topics (including accessibility to public transport with Lothian Buses).

Our services have made extensive use of videoconferencing facilities and social media to maintain contact and support with customers and learners who were unable to attend our building-based services and schools due to Covid-19. This has been a vital link during lockdown and has brought our customers together in times of isolation.

Investment in staff training and development continues to be a key priority for Capability Scotland. We have made greater use of videoconferencing for delivery of our key training courses, especially where Covid-19 restrictions meant classroom-based learning was not possible. We have supported staff to attend webinars and other virtual training throughout the year

In 2020/21, 101 staff were supported to undertake their Scottish Vocational Qualifications (SVQs) with 47 completing their SVQs within the year. Staff are able to access funded placements through colleges in Fife, Edinburgh, Glasgow, Perth, Borders, and West Scotland, rather than delivered at a central location. This allows staff easier access to nationally recognised qualifications whilst improving their care practice.

The e-learning platform, LearnPro, is used to deliver online learning on a range of subjects. The uptake for e-learning courses has continued to increase with 10,993 completed courses during 2020/21. New courses have been added to the portfolio offered, and there are now seven mandatory and 27 optional awareness courses. The mandatory courses are Adult Protection, Child Protection, Data Protection, Equality & Diversity, Fire Safety, Health & Safety and Duty of Candour.

## **Monitoring Achievement**

Achievement is monitored by the Board, and its Finance and Audit, and Service Quality sub-committees on a quarterly basis. The Remunerations and Nominations sub-committee meets at least annually. The remit of the Finance and Audit Committee encompasses the monitoring of financial performance including the review of all financial statements and monitoring of compliances and internal controls. The Service Quality Committee's remit includes performance management, quality assurance and statutory compliances. The remit of the Remuneration and Nominations Committee is to review and approve the remuneration for the Executive Team and undertake succession planning and recruitment of Board members.

## Financial Review

The Income and Expenditure Account reports net income of £818,849, which compares to net income of £369,489 in 2019/20. The net income after actuarial losses on the defined benefit pension scheme and gain on revaluation of the investment property is £622,849 (2019/20 £69,489).

During the year, we revalued our investment property, Moyen House in Edinburgh which added a gain of £110,000 to our accounts, and we incorporated the market value of a donated property in Dumfries (£350,000) to the accounts. The net income after actuarial losses on the defined benefit pension scheme and excluding the revalued and donated assets is therefore £162,849 for the year (2019/20 £69,489).

The impact of Covid-19 on our services has been significant and given rise to an extensive review of our planned and actual activity levels over the course of the year, in response to the Scottish Government guidance on funding and the local authority application of this. The principal sources of funding were grants and contracts with local authorities and the Scottish Government, and we have been supported by the UK-wide Job Retention Scheme and sustainability funding made available through our local authority partners.

Total income for 2020/21 was £24,724,322, which is an increase of £906,261 on the previous year. Income from Charitable Activities (note 2) for the delivery of services to disabled people increased year on year by £1,731,586 to £23,492,598. The increase in income reflects the acquisition of the Compass charity in Dumfries (£379,000) and the additional support received from the Job Retention Scheme and sustainability funding (£1,342,383).

Fundraising income this year was £1,027,400, which includes £350,000 for a donated property in Dumfries. Income excluding the donated property was £677,400, a reduction of £491,221 on the previous year reflecting the impact of Covid-19 on our fundraising activities. The costs associated with raising funds increased by £27,738 over the previous year, following the appointment of a Fundraising & Communications Manager in October 2020.

Total expenditure for 2020/21 was £23,905,473, which is an increase of £456,901 on the previous year.

The final salary pension scheme valuation under FRS102 rules, which shows a positive position of £5,971,000 (2019/20 £6,441,000), has not been recognised as an asset because the scheme is now closed. The Trustees have plans in place to ensure the full triennial valuation liability is managed while securing members' benefits.

## **Reserves Policy**

The Trustees 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 and to provide protection against adverse financial circumstances in the future.

Capability Scotland's policy is to hold the sum of net current assets attributable to unrestricted funds (note 10(d)) being equivalent to three months' expenditure. At 31 March 2021, free unrestricted net current assets, expressed as current assets less current liabilities (note 10(d)), totalled £5,271,007, which is 88% of the target amount. This compares to £4,441,102 and 76% in 2019/20.

The Trustees will continue to take action to improve the financial position of the organisation and to build up the free reserves position in line with our stated policy. At 31 March 2021, restricted funds totalled £736,924 (2019/20 £868,516).

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

## **Risk Management**

The Trustees have reviewed the Register of Risks, looking into specific risk areas and the systems in place to mitigate those risks. Where appropriate, actions and procedures required to strengthen existing systems have been identified and instigated as part of the Register of Risks and progress is monitored by the Executive Team. The Board has received reports and is satisfied that systems are in place to mitigate our exposure to the major risks.

The principal risks relate to the impact of Covid19 on the organisation including service delivery, finances and staffing; continued pressure on available public funds and the effect that this is having on our ability to continue to deliver high quality individualised services; disruption at Upper Springland due to flooding from the River Tay; and the safeguarding of vulnerable beneficiaries, staff and volunteers. The risks are mitigated through continued dialogue and negotiation with Local Authorities/HSCP, business continuity planning and flood risk monitoring in conjunction with SEPA, and by ensuring our policies and procedures, recruitment, training and supervision provide best practice safeguards for staff and customers.

## **Equal Opportunities**

Capability Scotland aims to promote equality, diversity, and human rights in everything we do. We aim to work inclusively across the whole organisation at all times. These principles are upheld in behaviours and practices through our provision of care, support, and education, and as an employer. We aim to excel beyond legislative requirements and be an

exemplar of best practice. We will break down all barriers of discrimination, prejudice, fear, or misunderstanding, which can damage the effectiveness and impact of our care, support, and education on the lives of our customers and our employment practices.

Capability Scotland uses the Equality and Human Rights Commission's nine protected characteristics to help focus our equality and diversity work. We will have due regard to advancing equality for people who identify with the relevant protected characteristics. Capability Scotland recognises that there are others that are not yet protected in legislation but are important to be mindful of to ensure that Capability Scotland creates an inclusive environment.

We recognise that our customers and employees are a diverse group of individuals and that they should all be treated as such. Each person has different strengths and by adapting our approach accordingly we create an environment where individuals can develop and grow, accessing their human rights, benefitting those we support, our staff and the organisation.

We ensure that all employees have equal access to the same opportunities. We further demonstrate this through our commitment to the Disability Confident Standard, which is the successor to the Positive About Disability scheme.

In March 2021, we published our Gender Pay Gap figures in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Our Gender Pay gap figures show an average gap of 3.92 % (2020 3.26%).

## **Staff Information and Involvement**

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

As part of this agreement, we have created individual negotiating forums with the respective unions that allow focused discussions on the matters that impact upon the different staffing groups. This increased dialogue will help to improve communication and feedback between management, representatives, and staff.

## **Key Management Personnel Remuneration**

The Remuneration and Nominations Committee, a sub-committee of the Board, is responsible for setting pay and remuneration for key management personnel. Capability Scotland's Executive Team comprises the Chief Executive, Director of Adult Services & Business Development, Director of Children's Services and Director of Finance & Resources

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

*Chief Executive*

Brian Logan

*Director of Finance and Resources*

Andrew Philip

*Director of Adult Services and Business Development*

Callum MacGregor

*Director of Children's Services*

Euan Alexander (resigned 18 June 2021)

The Director of Children's Services post is currently being recruited to.

## **Plans for the Future**

2020/21 has been a challenging year in terms of the impact of Covid-19 on our services, customers and learners, and staff, but provides a strong foundation for the future.

2021 marks our 75<sup>th</sup> anniversary year and we plan a number of events and activities to celebrate this landmark event. Covid-19 might influence how the celebrations take shape, but we are proud of our history and of the exemplary care, support, and education we provide and that is cause to celebrate and reflect.

Our future plans include:

- Review the Strategic Plan and refresh our vision, values and mission;
- Explore business opportunities in areas of high population and low provision, and redevelop existing services to meet changing priorities;
- Improve existing models of high intensity care, support and education provision and develop a range of new models to meet individual needs that embrace transition and the ability for progression and lifelong learning;
- Develop long-term plans for Upper Springland, Corseford School and Stanmore House School and support this using best practice and benchmarking;
- Review opportunities to utilise technology more effectively across Capability Scotland, implementing IT solutions to support our business processes, such as case file management, rota management and HR/Payroll systems;
- Develop a People Strategy incorporating workstreams on health and wellbeing, performance management and reward and recognition
- Develop a five-year Funding Plan to underpin the delivery of the Strategic Plan.

We will continue to manage the impact of Covid-19 on our services, ensuring the health and safety of our staff, learners and customers is paramount. The financial consequences of Covid-

19 will continue to be assessed, monitored and reported to our Trustees and we will work in partnership with our funders where service delivery changes.

The Scottish Government has advised an intent to 'move to strategic commissioning of services for children with complex additional support needs' in 2020/21 and this will impact on our two Grant Aided Special Schools (GASS), Corseford and Stanmore House. We have submitted a business case to the Scottish Government for the proposed phased withdrawal of the GASS grant from 2024/25 and we continue to work closely with the Scottish Government on the impact this will have on our service provision.

We are an inclusive organisation with good communication at the heart. We will develop a Communications & Marketing Strategy to create awareness and encourage engagement in all aspects of our work. Our Customer Advisory Group and Have Your Say Group continue to ensure our customers have a voice in the work of Capability Scotland.

We will locate our main Edinburgh office to new premises on St John's Road, Corstorphine from summer 2021. The lease on our office at Osborne Terrace has come to a natural end and we have used the opportunity to source new accommodation that provides accessible space for training, meetings and our Edinburgh team.

We have started planning for our first-ever staff conference, bringing together as many staff as possible to meet, share best practice, be informed and have some fun with the purpose of motivating and connecting various disparate parts of the organisation and celebrating all the good things that we do. Due to Covid19 we have postponed this event from October 2021 to 2022/23, when we will combine this with events to mark our 75<sup>th</sup> anniversary.

## Statement of Trustees' Responsibilities

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

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

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

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

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

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



By order of the Board  
Professor A Cameron CBE  
Chair

23 June 2021

## **Independent auditors' report to the members and trustees of Capability Scotland**

### **Opinion**

We have audited the financial statements of Capability Scotland (the 'charitable company') for the year ended 31 March 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

### **Basis of opinion**

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

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Other information**

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

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

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Trustees' Annual Report which includes the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Trustees' Annual Report which includes the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Trustees' Report, which includes the Directors' Report.

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

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

## **Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiries with management and the internal audit function about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading correspondence with regulators including the Care Inspectorate, Health and Safety Executive and OSCR;
- Reviewing board minutes;
- Reviewing Internal Audit reports;
- Challenging assumptions and judgements made by management in significant accounting estimates, in particular in relation to depreciation rates; valuation of investment properties, items accounted for at fair value and the pension valuation; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Safety; Care regulations; charity law; employment law (including the Working Time Directive); and compliance with the UK Companies Act.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognize the non-compliance.

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

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

*Henderson Loggie LLP*

James Davidson (Senior Statutory Auditor)  
For and on behalf of Henderson Loggie LLP  
Chartered Accountants  
Statutory Auditor  
Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

11-15 Thistle Street  
Edinburgh  
EH2 1DF

12 July 2021

**Statement of Financial Activities**  
**(Incorporating an Income and Expenditure Account)**  
For the year ended 31 March 2021

		2021			2020
		Unrestricted Funds	Restricted Funds	Total Funds	Total Funds
		£	£	£	£
<b>Income From:</b>					
Donations and Legacies	5	847,715	179,685	1,027,400	1,168,621
Charitable Activities	2	20,252,687	3,239,911	23,492,598	21,761,012
<i>Other Trading Activities:</i>					
Commercial Trading Operations		31,393	-	31,393	363,458
Investments	4	172,931	-	172,931	191,375
Gain on Property Disposals		-	-	-	383,595
<b>Total</b>		<b>21,304,726</b>	<b>3,419,596</b>	<b>24,724,322</b>	<b>23,818,061</b>
<b>Expenditure On:</b>					
Raising Funds	3	164,663	-	164,663	136,925
Commercial Trading Operations	3	-	-	-	845,738
Charitable Activities	3	20,444,543	3,296,267	23,740,810	22,465,909
<b>Total</b>		<b>20,609,206</b>	<b>3,296,267</b>	<b>23,905,473</b>	<b>23,448,572</b>
<b>Net Income/(Expenditure)</b>		<b>695,520</b>	<b>123,329</b>	<b>818,849</b>	<b>369,489</b>
<b>Transfers between funds</b>	10	<b>254,921</b>	<b>(254,921)</b>	<b>-</b>	<b>-</b>
		<b>950,441</b>	<b>(131,592)</b>	<b>818,849</b>	<b>369,489</b>
<b>Other recognised gains/(losses)</b>					
Gain on revaluation of investment property		110,000	-	110,000	-
Actuarial (losses) on defined benefit pension scheme	3	(306,000)	-	(306,000)	(300,000)
<b>Net Movement in Funds</b>		<b>754,441</b>	<b>(131,592)</b>	<b>622,849</b>	<b>69,489</b>
<b>Reconciliation of Funds:</b>					
Funds brought forward at 1 April 2020		12,574,660	868,516	13,443,176	13,373,687
Funds carried forward at 31 March 2021		<b>13,329,101</b>	<b>736,924</b>	<b>14,066,025</b>	<b>13,443,176</b>

All of the above are derived from continuing activities.

**The net income for 2020/21 after actuarial losses on the defined benefit pension scheme and excluding the revalued and donated assets received in year is £162,849 (2019/20 £69,489).**

The analysis between restricted and unrestricted funds for 2021 is detailed in note 15. The notes on pages 25 to 45 form part of the Accounts.

**Balance Sheet**

As at 31 March 2021

	Notes	2021		2020	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible Assets	6		<b>8,077,744</b>		8,167,814
<b>CURRENT ASSETS</b>					
Debtors	7	<b>5,651,063</b>		4,041,032	
Cash at bank and in hand		<b>7,795,647</b>		<b>3,874,583</b>	
		<b>13,446,710</b>		<b>7,915,615</b>	
Creditors: amounts falling due within one year	8	<b>(7,438,779)</b>		(2,605,997)	
<b>NET CURRENT ASSETS</b>			<b>6,007,931</b>		5,309,618
<b>TOTAL ASSETS less CURRENT LIABILITIES</b>			<b>14,085,675</b>		13,477,432
<b>Liabilities:</b>					
Creditors: amounts falling due after more than one year	9		<b>(19,650)</b>		(34,256)
<b>TOTAL NET ASSETS</b>			<b>14,066,025</b>		13,443,176
<b>FUNDS OF THE CHARITY</b>					
Unrestricted Funds	10		<b>13,329,101</b>		12,574,660
Restricted Funds	10		<b>736,924</b>		868,516
<b>TOTAL FUNDS</b>			<b>14,066,025</b>		13,443,176

The Accounts were approved by the Board on 23 June 2021 and signed on their behalf by:



Professor A Cameron CBE  
Chair

The Auditor's report to the Trustees and Members of Capability Scotland is on pages 18-21.

The notes on pages 25 to 45 form part of the Accounts.

Company Number SC036524

**Statement of Cash Flows**

For the year ended 31 March 2021

	Notes	<u>2021</u> £	<u>2020</u> £
<b>Cash flows from operating activities</b>	11	<b>4,200,906</b>	(948,613)
<b>Net cash provided by (used in) operating activities</b>			
<b>flows from investing activities:</b>			
Dividends, interest and rents from investments		<b>172,931</b>	191,375
Proceeds from the sale of property, plant and equipment		<b>15,648</b>	400,722
Purchase of property, plant and equipment		<b>(434,646)</b>	(253,095)
<b>Net cash provided by (used in) investing activities</b>		<b>(246,067)</b>	339,002
<b>Cash flows from financing activities:</b>			
Hire purchase interest paid		<b>(4,850)</b>	(10,389)
Repayments of borrowings		<b>(28,925)</b>	(79,289)
Cash inflows from new borrowing		-	-
<b>Net cash provided by (used in) financing activities</b>		<b>(33,775)</b>	(90,218)
<b>Change in cash and cash equivalents in the reporting period</b>		<b>3,921,064</b>	(699,829)
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>3,874,583</b>	4,574,412
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>7,795,647</b>	3,874,583

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

### ACCOUNTING POLICIES

#### Status of the Company

Capability Scotland is a company limited by guarantee registered in Scotland with the registered number and address as listed at page 2. Each member has undertaken to contribute an amount not exceeding one pound towards any deficit arising in the event of the company being wound up.

#### Basis of accounting

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

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

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

#### Going concern

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

As detailed in the Trustees report, Capability Scotland has responded to changes in funding and continues to monitor the position carefully to ensure it has adequate financial resources to be placed to manage its business risks sufficiently despite the current uncertain economic outlook as a result of the COVID-19 pandemic.

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

#### Funds

Funds are classified as either Restricted funds or Unrestricted funds, defined as follows:

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

central and local government grants and fees for a specific school or service, and funds raised for particular client groups or activities.

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

### **Income**

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

### **Legacies**

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

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

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

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

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

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

### **Local associations**

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

## **Expenditure**

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

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

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

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

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

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

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

## **Debtors**

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

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

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

## **Creditors and provisions**

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are recognised at their full settlement amount.

## Leases

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

## Fixed assets and depreciation

Purchases of fixed assets over £1,000 are capitalised. Fixed assets are included in the Balance Sheet at cost, or valuation in certain cases.

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

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

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

- Leasehold improvements - Equal instalments up to the end of the period over which funding for the improvements will be received
- Other Buildings (incl. Long Leasehold properties) - 50 years
- Improvements to buildings - equal instalments over the remaining life of the original asset
- Plant and machinery - 5 years
- Furniture and fittings - 5 - 20 years
- Vans and minibuses - 6 years
- Motor cars - 4 years

## Buildings purchased or improved using unrestricted funds

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

## Dilapidations

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

## **Financial instruments**

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

## **Exceptional items**

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

## **Defined benefit pension scheme**

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

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

## **Employee benefits**

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

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

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

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

- Determine whether leases entered into by the charity as a lessor are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease-by-lease basis.

- Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, considering factors such as physical condition, maintenance and obsolescence.
- Fixed assets are also assessed as to whether that are indicators of Impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.

Capability Scotland's key sources of estimation uncertainty are as follows:

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

The value of investment properties and value of donated property assets is determined using a qualified chartered surveyor. The valuation involved making assumptions about the price per sq. ft of similar property in a similar area, such estimates are subject to a degree of uncertainty as the true value can only be obtained in the open market.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 1 STAFF NUMBERS AND COSTS

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

	2021 £	2020 £
Wages and salaries	15,889,657	15,099,871
Redundancy payments	100,380	184,107
Social Security costs	1,244,710	1,167,821
Pensions costs - defined benefits	306,000	300,000
Pensions costs - defined contributions	650,811	565,379
Pension Adjustment - defined contributions	(306,000)	(300,000)
Agency Fees	906,848	1,152,413
	<u>18,792,406</u>	<u>18,169,591</u>
	<b>Number</b>	<b>Number</b>
The average number of employees of Capability Scotland during the year was:	<u>846</u>	<u>863</u>

The above costs include Redundancy Costs of £100,380 (2020 £184,107) payable to staff at termination of employment. While Capability Scotland takes every step to avoid redundancy the nature of our funding makes such decisions necessary. Redundancy costs are recognised when known.

The remuneration and benefits paid to key management personnel is £360,210 for the year (2020 £341,188). In addition, pension contributions of £36,208 (2020 £26,561) were paid to a defined contributions pension scheme. Employees receiving salaries, plus benefits in kind, of more than £60,000 were in the bands £60,001 - £70,000 1 (2020 2); £70,001-£80,000 2 (2020 2); £100,001 - £110,000 1 (2020 0).

External Agencies are used to provide staff in Services where vacancies are not filled and, in some circumstances to cover for staff absences, to ensure continued service delivery.

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

No Trustees received remuneration in the year. Expenses of £nil (2020 £149) were paid to Trustees in the year in respect of Travel Expenses. Trustee indemnity insurance is provided as part of the overall insurance policy for the organisation.

#### c) Defined Contributions Pension Scheme

The contributions payable to the defined contribution pension schemes at the year-end was £41,963 (2020 £40,256).

**NOTES TO THE ACCOUNTS**

For the year ended 31 March 2021

**2 NET INCOME**

<b>a) Net Income is stated after charging:</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Auditor's remuneration - audit	<b>26,000</b>	26,000
- audit of Pension Scheme	<b>3,515</b>	3,412
- other	<b>590</b>	2,265
Depreciation of tangible fixed assets (note 6)	<b>629,672</b>	623,871
Rental charges under operating leases	<b>352,702</b>	819,427
Rental Income under operating leases	<b>152,429</b>	156,353
Hire purchase interest	<b>4,850</b>	10,389

**The surplus is stated after charging:**

Gain on sale of tangible fixed assets	<b>10,607</b>	383,595
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<b>b) Income for Charitable Activities by funding source is made up as follows:</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Local Authorities	<b>18,583,414</b>	18,088,447
Scottish Government	<b>3,075,499</b>	3,016,656
Employment Programmes	-	52,554
Benefits Agency	<b>351,199</b>	449,148
Department of Transport	-	22,596
UK Government – Covid-19 Job Retention Scheme	<b>991,452</b>	-
Covid-19 Support	<b>350,931</b>	-
Other	<b>140,103</b>	131,611
Total	<b>23,492,598</b>	21,761,012

Scottish Government income above relates to grants for supporting children and young people with additional support needs £2,995,899 (2020 £2,863,521).

<b>c) Income for Charitable Activities is made up as follows:</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Schools	<b>5,922,440</b>	5,260,090
Other Children's Services	<b>206,420</b>	241,939
Adult Day Services	<b>2,748,359</b>	2,715,722
Adult Residential Services	<b>9,856,886</b>	9,156,341
Community Living Services	<b>4,683,931</b>	4,313,606
Employment Services	-	52,554
Other Services and Activities	<b>74,562</b>	20,760
	<b>23,492,598</b>	21,761,012

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 3 EXPENDITURE

	Direct activities £	Support costs £	2021 Total £	2020 Total £
<b>a) Expenditure:</b>				
Raising funds	116,722	47,941	164,663	136,925
Commercial Trading Operations	-	-	-	845,738
<b>Charitable Activities</b>				
Schools	5,092,992	337,170	5,430,162	4,937,352
Other Children's Services	126,582	8,380	134,962	113,353
Adult Day Services	2,791,568	184,809	2,976,378	2,871,783
Adult Residential Services	9,358,727	619,601	9,978,328	9,399,499
Community Living Services	4,581,150	303,284	4,484,434	4,835,115
Employment Services	-	-	-	4,922
Other Services	602,459	40,088	642,547	589,825
Campaigning, Policy, Information and Influencing	57,615	(57,615)	-	14,060
Pension Adjustment	(306,000)	-	(306,000)	(300,000)
<b>Total Charitable activities</b>	<b>22,305,093</b>	<b>1,435,717</b>	<b>23,740,810</b>	<b>22,465,909</b>
Total per the Statement of Financial Activities	<b>22,421,815</b>	<b>1,483,658</b>	<b>23,905,473</b>	<b>23,448,572</b>

#### b) Raising funds

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

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 3 EXPENDITURE (continued)

#### c) Commercial Trading Activities

Capability Scotland made the decision to close all shops and cease trading following a strategic review of their operation during 2019/20. All shops had closed by 31 March 2020.

Commercial Trading Activities:	<b>2021</b>	2020
	<b>£</b>	£
Operating expenditure from trading activities	-	686,238
Dilapidations and external repairs expenditure	-	159,500
	<u>-</u>	<u>845,738</u>

#### d) Support Costs

Support Costs of £1,483,659 (2020 £1,431,317) are included in Note 3a) above. Support Costs relate to Corporate functions including general management, finance, payroll administration, human resources and information technology. Support costs have been allocated to expenditure on Raising Funds and Campaigning, Policy, Information and Influencing on an estimated usage basis. Support Costs allocated to Operations is on the same basis as direct expenditure incurred in undertaking an activity. Governance costs of £84,815 (2020 £62,109) have been included in Support Costs.

<b>4 INVESTMENT INCOME</b>	<b>2021</b>	2020
	<b>£</b>	£
Bank and other Interest	<b>20,502</b>	35,022
Rental Income	<b>152,429</b>	156,353
	<u><b>172,931</b></u>	<u>191,375</u>

<b>5 DONATIONS AND LEGACIES</b>	<b>2021</b>	2020
	<b>£</b>	£
Donations received	<b>426,557</b>	420,626
Donated assets at fair value	<b>350,000</b>	-
Legacies	<b>250,843</b>	697,995
	<u><b>1,027,400</b></u>	<u>1,118,621</u>

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 6 FIXED ASSETS

a) Tangible Assets	Land & Buildings	Improvements to Short Leaseholds	Motor Vehicles	Furniture, Fittings & Equipment	Total
Cost or Valuation	£	£	£	£	£
At beginning of year	9,097,276	664,574	630,347	3,535,387	<b>13,927,584</b>
Additions	350,000	-	19,303	65,343	<b>434,646</b>
Disposals	-	-	(50,090)	-	<b>(50,090)</b>
Revaluation	110,000	-	-	-	<b>110,000</b>
At end of year	<u>9,557,276</u>	<u>664,574</u>	<u>599,560</u>	<u>3,600,730</u>	<b><u>14,422,140</u></b>
<b>Depreciation</b>					
At beginning of year	3,193,964	332,530	459,224	1,774,052	<b>5,759,770</b>
Provided for the year	230,223	-	74,033	325,417	<b>629,673</b>
On disposals	-	-	(45,047)	-	<b>(45,047)</b>
At end of year	<u>3,424,187</u>	<u>332,530</u>	<u>488,210</u>	<u>2,099,469</u>	<b><u>6,344,396</u></b>
<b>Net book value</b>					
At 31 March 2021	<u>6,133,089</u>	<u>332,044</u>	<u>111,350</u>	<u>1,501,261</u>	<b><u>8,077,744</u></b>
At 1 April 2020	<u>5,903,312</u>	<u>332,044</u>	<u>171,123</u>	<u>1,761,335</u>	<b><u>8,167,814</u></b>

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

The carrying amount of land & buildings comprises:	2021	2020
	£	£
Investment property at fair value:		
Long leaseholds	<b>885,000</b>	775,000
Other properties at cost:		
Long leaseholds	<b>256,738</b>	368,726
Freeholds	<b>4,991,351</b>	4,759,586
	<u><b>6,133,089</b></u>	<u>5,903,312</u>

The investment property was purchased in the year to 31 March 2017 and has been revalued at 31 March 2021 at £885,000 by Dr Niall Gunn, BSc MRICS, Partner of J & E Shepherd, Chartered Surveyors. The valuation was prepared in accordance with the RICS – Global standards 2020 incorporating the IVSC international Valuation Standards.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 6 FIXED ASSETS (continued)

#### b) Contingent Liability

In certain circumstances, grants received for refurbishment works on School buildings may become repayable. The total of such grants is £276,676 (2020 £277,306).

#### c) Assets held under hire purchase contracts

The net book value of assets includes amounts of £47,859 (2020 £142,970) in respect of assets held under hire purchase contracts. The depreciation charge for the year on these assets was £92,041 (2020 £88,118).

<b>7 DEBTORS</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Fees and grants due	<b>2,915,227</b>	2,892,856
Other debtors	<b>580</b>	16,320
Prepayments and accrued income	<b>2,735,256</b>	1,131,856
	<b><u>5,651,063</u></b>	<b><u>4,041,032</u></b>

### 8 LIABILITIES

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>a) Creditors: amounts falling due within one year</b>		
Trade creditors	<b>212,559</b>	448,107
Social Security costs and other taxes	<b>274,584</b>	284,652
Accruals and deferred income	<b>5,245,717</b>	621,610
Other creditors and provisions	<b>1,675,348</b>	1,206,737
	<b><u>7,408,208</u></b>	<u>2,561,106</u>
Hire purchase instalments	<b>30,571</b>	44,891
	<b><u>7,438,779</u></b>	<u>2,605,997</u>

#### b) Deferred Income

Balance as at 1 April 2020	<b>£</b>	<b>195,687</b>
Amounts released to income earned from charitable activities		<b>(195,687)</b>
Amount deferred in year		<b>4,592,969</b>
<b>Balance as at 31 March 2021</b>		<b><u>4,720,340</u></b>

Deferred income relates to funding received where at the year-end the performance related conditions attached to the funding had not yet been met and are considered out with Capability Scotland's control.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 9 LIABILITIES

<b>Creditors: amounts falling due after one year</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Hire purchase instalments	<u><b>19,650</b></u>	<u><b>34,256</b></u>

All amounts are due within five years. Amounts due under hire purchase contracts are secured on certain assets.

### 10 FUNDS

#### a) Statement of Funds

<b>As at 31 March 2021</b>	Balance 31 Mar 20	Incoming Resources	Outgoing Resources	Transfers	Gains / (Losses)	Balance 31 Mar 21
	£	£	£	£	£	£
<b>Restricted Funds</b>	868,516	3,419,596	(3,296,267)	(254,921)	-	<b>736,924</b>
<b>Unrestricted Funds</b>						
Designated						
Capital Reserve	4,927,983	350,000	(235,984)	-	-	<b>5,041,999</b>
Other Funds	469,153	-	-	-	-	<b>469,153</b>
	<u>5,397,136</u>	<u>350,000</u>	<u>(235,984)</u>	<u>-</u>	<u>-</u>	<u><b>5,511,152</b></u>
Revaluation Reserve	-	110,000	-	-	-	<b>110,000</b>
General	7,177,524	20,954,726	(20,679,222)	254,921	-	<b>7,707,949</b>
<b>TOTAL UNRESTRICTED</b>	<u>12,574,660</u>	<u>21,304,726</u>	<u>(20,915,206)</u>	<u>254,921</u>	<u>-</u>	<u><b>13,329,101</b></u>
<b>TOTAL FUNDS</b>	<u><b>13,443,176</b></u>	<u><b>24,484,322</b></u>	<u><b>(24,211,473)</b></u>	<u>-</u>	<u>-</u>	<u><b>14,066,025</b></u>

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 10 FUNDS (continued)

As at 31 March 2020	Balance 31 Mar 19 £	Incoming Resources £	Outgoing Resources £	Transfers £	Gains / (Losses) £	Balance 31 Mar 20 £
<b>Restricted Funds</b>	878,464	7,816,088	(7,733,972)	(92,064)	-	868,516
<b>Unrestricted Funds</b>						
Designated						
Capital Reserve	5,125,830	-	(197,847)	-	-	4,927,983
Other Funds	469,153	-	-	-	-	469,153
	5,594,983	-	(197,847)	-	-	5,397,136
General	6,900,240	16,001,973	(15,516,753)	92,064	(300,000)	7,177,524
<b>TOTAL UNRESTRICTED</b>	12,495,223	16,001,973	(15,714,600)	92,064	(300,000)	12,574,660
<b>TOTAL FUNDS</b>	<b>13,373,687</b>	<b>23,918,061</b>	<b>(23,448,572)</b>	<b>-</b>	<b>(300,000)</b>	<b>13,443,176</b>

#### b) Restricted Funds

Restricted funds as at 31 March 2021 comprises	2021 £	2020 £
Operating income earmarked for expenditure	25,790	256,300
Other restricted funds	711,134	612,216
	<b>736,924</b>	<b>868,516</b>

Operating income earmarked for expenditure represents income received for specific services and projects. Other restricted funds are made up of 41 individual funds and represent income received from funders with a specific use identified.

#### c) Designated Funds

Designated funds comprise £5,073,174 of capital reserve, which reflects the book value of certain buildings and is reduced over the life of the asset in line with its depreciation and £438,018 for future development.

**NOTES TO THE ACCOUNTS**

For the year ended 31 March 2021

**10 FUNDS (continued)**

**d) Analysis of Net Assets between Funds as at 31 March 2021**

	Unrestricted £	Restricted £	Total £
Fixed Assets	8,077,744	-	<b>8,077,744</b>
Current Assets	12,709,786	736,924	<b>13,446,710</b>
Current Liabilities	(7,438,977)	-	<b>(7,438,977)</b>
Long Term Liabilities	(19,650)	-	<b>(19,650)</b>
	<u>13,329,101</u>	<u>736,924</u>	<u><b>14,066,025</b></u>

**Analysis of Net Assets between Funds as at 31 March 2020**

	Unrestricted £	Restricted £	Total £
Fixed Assets	8,167,814	-	8,167,814
Current Assets	7,047,099	868,516	7,915,615
Current Liabilities	(2,605,997)	-	(2,605,997)
Long Term Liabilities	(34,256)	-	(34,256)
	<u>12,574,660</u>	<u>868,516</u>	<u>13,443,176</u>

**11 NOTES TO THE CASH FLOW STATEMENT**

**Reconciliation of new income to net cash flow from operating activities**

	2021 £	2020 £
<b>Net Income for the reporting period as per Statement of Financial Activities</b>	<b>818,849</b>	369,489
<i>Adjustments for:</i>		
Depreciation charges	<b>629,673</b>	623,871
Pension Fund adjustments	<b>(306,000)</b>	(300,000)
Dividends, interest and rents from investments	<b>(172,931)</b>	(191,375)
Hire Purchase interest paid	<b>4,850</b>	10,389
(Profit) on the sale of fixed assets	<b>(10,606)</b>	(383,595)
Decrease in stocks	-	56,318
(Increase) in debtors	<b>(1,610,031)</b>	(1,322,530)
Increase in creditors	<b>4,847,102</b>	188,820
	<u><b>4,200,906</b></u>	<u>(948,613)</u>

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 11 NOTES TO THE CASH FLOW STATEMENT (continued)

Changes in net debt	As at 1	Cashflows	As at 31
	April 2020		March 2021
	£	£	£
Cash	3,874,583	3,921,064	<b>7,795,647</b>
Hire purchase liability	(79,147)	28,925	<b>(50,222)</b>
	<u>3,795,436</u>	<u>3,949,989</u>	<u><b>7,745,425</b></u>

	As at 1	Cashflows	As at 31
	April 2019		March 2020
	£	£	£
Cash	4,574,412	(699,829)	3,874,583
Hire purchase liability	(158,976)	79,829	(79,147)
	<u>4,415,436</u>	<u>(620,000)</u>	<u>3,795,436</u>

### 12 CONTRACTED COMMITMENTS

#### a) Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	£	£
Within one year	<b>292,667</b>	371,024
Between one and five years	<b>260,587</b>	285,210
After five years	<b>1,907,145</b>	1,934,685
	<u><b>2,464,399</b></u>	<u>2,590,918</u>

#### b) Operating lease – rental income

Capability Scotland holds surplus office buildings as investment properties as disclosed in note 6, which are let to third parties. These non-cancellable leases have remaining terms of up to five years. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2021	2020
	£	£
Within one year	<b>151,662</b>	151,013
Between one and five years	-	32,500
	<u><b>151,662</b></u>	<u>183,513</u>

### 13 FINANCIAL INSTRUMENTS

	2021	2020
	£	£
<b>Carrying amount of financial assets</b>		
Financial assets measured at fair value	<u><b>885,000</b></u>	<u>775,000</u>

Financial assets measured at fair value represent investment property.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 14 PENSION SCHEMES

- a) Capability Scotland contributes on behalf of teaching staff to the Scottish Public Pensions Agency (SPPA), a multi-employer final salary scheme. Contributions during the year were £41,963 (2020 £40,256). The scheme is treated as a defined contribution scheme given that the charity is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reliable basis. The amount charged to the Statement of Financial Activities represents the contributions payable to the scheme in respect of the accounting year.
- b) Capability Scotland operates a defined benefit plan in the UK. This is a separate trustee administered fund holding the pension plan assets to meet long-term pension liabilities. A preliminary actuarial valuation was carried out at 31 March 2018 and updated to 31 March 2021 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The most recent actuarial valuation as at 31 March 2018 showed a deficit of £370,000. Capability Scotland agreed with the Pension Scheme Trustees that it will pay £25,000 per month, increasing to £27,000 per month from 1 December 2020 to clear this deficit.

#### Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	<b>31 March 2021 £'000</b>	31 March 2020 £'000	31 March 2019 £'000
Fair value of plan assets	28,368	27,873	27,954
	22,397	21,432	23,253
Present value of defined benefit obligation			
Surplus/(deficit) in plan	5,971	6,441	4,701
Unrecognised surplus	5,971	6,441	4,701
Defined benefit asset/(liability) to be recognised	-	-	-
Deferred tax	-	-	-
Net defined benefit asset/(liability) to be recognised	-	-	-

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 14 PENSION SCHEMES (continued)

#### Recognition of opening and closing balances of the defined benefit obligation

	<b>31 March 2021 £'000</b>	31 March 2020 £'000
Defined benefit obligation at start of the period	21,432	23,253
Current service cost	-	-
Expenses	-	-
Interest expense	500	510
Contributions by plan participants	-	-
Actuarial losses/(gains)	1,660	(1,133)
Benefits paid and expenses	(1,214)	(1,198)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Loss/(gain) on settlements	-	-
Loss/(gain) due to benefit changes	19	-
Defined benefit obligation at end of period	22,397	21,432

The defined benefit cost for the year ending 31 March 2021 includes a past service cost due to a plan amendment of £19,000. This has arisen following a High Court Case on 20 November 2020 which ruled that transfers out of the Plan, between 17 May 1990 and 28 October 2018, need to be revisited and equalised for Guaranteed Minimum Pension (if applicable).

#### Recognition of opening and closing balances of the fair value of plan assets

	<b>31 March 2021 £'000</b>	31 March 2020 £'000
Fair value of plan assets at start of the period	27,873	27,954
Interest income	656	617
Actuarial gains/(losses)	899	400
Contributions by Capability Scotland	154	100
Contributions by plan participants	-	-
Benefits paid and expenses	(1,214)	(1,198)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Fair value of plan assets at end of period	28,368	27,873

The actuarial return on the plan assets over the period ended 31 March 2021 was £1,555,000.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 14 PENSION SCHEMES (continued)

#### Defined benefit costs recognised in profit and loss

	<b>31 March 2021 £'000</b>	31 March 2020 £'000
Defined benefit costs recognised in profit and loss account	19	-

#### Defined benefit costs recognised in other comprehensive income

	<b>31 March 2021 £'000</b>	31 March 2020 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	899	400
Experience gain/(loss) arising on plan liabilities	150	(46)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – loss/(gain)	(1,810)	1,179
Effects of changes in the amount of surplus not recoverable (excluding amounts included in net interest cost) – gain/(loss)	626	(1,633)
Total amount recognised in other comprehensive income – loss/(gain)	(135)	(100)

#### Assets

	<b>31 March 2021 £'000</b>	31 March 2020 £'000	31 March 2019 £'000
Overseas equities	-	-	-
Corporate bonds	8,711	8,841	12,131
Government bonds	-	-	-
Diversified growth funds	11,600	10,356	6,768
Property	3,078	2,947	2,782
Cash	471	69	942
Insured pensioners	55	56	61
Liability-driven investments	4,453	5,604	5,270
<b>Total Assets</b>	<b>28,368</b>	<b>27,873</b>	<b>27,954</b>

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

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 14 PENSION SCHEMES (continued)

#### Assumptions

	<b>31 March 2021 % p.a.</b>	31 March 2020 % p.a.	31 March 2019 % p.a.
Discount rate	2.05	2.40	2.25
Inflation (RPI)	3.35	2.75	3.30
Inflation (CPI)	2.85	2.25	2.30
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	3.00	3.00	3.00
Allowance for revaluation payment increases of RPI or 5% p.a. if less	3.25	2.70	2.20
Allowance for revaluation payment increases of RPI or 5% p.a. if less	2.30	2.00	2.00
Allowance for commutation of pension for cash at retirement	100% of Post A day	100% of Post A day	100% of Post A day

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	<b>Life expectancy at age 60 (years)</b>
Male retiring in 2021	26.4
Female retiring in 2021	28.5
Male retiring in 2041	27.9
Female retiring in 2041	30.1

The best estimate of contributions to be paid by Capability Scotland to the plan for the period commencing 1 April 2020 is £0. All plan expenses, professional fees or levies due to the Pensions Regulator and the Pension Protection Fund, are to be met separately by Capability Scotland.

#### Analysis of the sensitivity to the principle assumptions of the value of the scheme liabilities:

	<b>Change in assumption</b>	<b>Approximate change in liabilities</b>
Discount rate	Increase/decrease of 0.5%	Decrease by 6.6%/ increase by 7.1%
Rate of inflation	Increase/decrease of 0.5%	Increase by 2.8%/ decrease by 3.1%
Rate of mortality	1-year life expectancy increase	Increase by 3.1%

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2021

### 15 Statement of Financial Activities (Incorporating an Income and Expenditure Account) For the year ended 31 March 2021

		2021			2020		
		Unrestricted Funds £	Restricted Funds £	Total Funds £	Unrestricted Funds £	Restricted Funds £	Total Funds £
<b>Income From:</b>							
Donations and Legacies	5	847,715	179,685	1,027,400	938,810	179,811	1,118,621
Charitable Activities	2	2,252,687	3,239,911	23,492,598	14,124,735	7,636,277	21,761,012
<i>Other Trading Activities:</i>							
Commercial Trading Operations		31,393	-	31,393	363,458	-	363,458
Investments	4	172,931	-	172,931	191,375	-	191,375
Gain on Property Disposals		-	-	-	383,595	-	383,595
<b>Total</b>		<b>21,304,726</b>	<b>3,419,596</b>	<b>24,724,322</b>	<b>16,001,973</b>	<b>7,816,088</b>	<b>23,818,061</b>
<b>Expenditure On:</b>							
Raising Funds	3	164,663	-	164,663	136,925	-	136,925
Commercial Trading Operations	3	-	-	-	845,738	-	845,738
Charitable Activities	3	20,444,543	3,296,267	23,740,810	14,731,937	7,733,972	22,465,909
<b>Total</b>		<b>20,609,206</b>	<b>3,296,267</b>	<b>23,905,473</b>	<b>15,714,600</b>	<b>7,733,972</b>	<b>23,448,572</b>
<b>Net Income/(Expenditure)</b>		<b>695,520</b>	<b>123,329</b>	<b>818,849</b>	<b>287,373</b>	<b>82,116</b>	<b>369,489</b>
<b>Transfers between funds</b>	10	<b>254,921</b>	<b>(254,921)</b>	<b>-</b>	<b>92,064</b>	<b>(92,064)</b>	<b>-</b>
		<b>950,441</b>	<b>(131,592)</b>	<b>818,849</b>	<b>379,437</b>	<b>(9,948)</b>	<b>369,489</b>
<b>Other recognised gains/(losses)</b>							
Gain on Revaluation of Fixed Asset		110,000	-	110,000	-	-	-
Actuarial (losses) on defined benefit pension scheme	3	(306,000)	-	(306,000)	(300,000)	-	(300,000)
<b>Net Movement in Funds</b>		<b>754,441</b>	<b>(131,592)</b>	<b>622,849</b>	<b>79,437</b>	<b>(9,948)</b>	<b>69,489</b>
<b>Reconciliation of Funds:</b>							
Funds brought forward at 1 Apr 2020		12,574,660	868,516	13,443,176	12,495,223	878,464	13,373,687
Funds carried forward at 31 March 2021		13,329,101	736,924	14,066,025	12,574,660	868,516	13,443,176

All of the above are derived from continuing activities.

**The net income for 2020/21 after actuarial losses on the defined benefit pension scheme and excluding the revalued and donated assets received in year is £162,849 (2019/20 £69,489).**

The notes on page 25 to 45 form part of these accounts.

## Thank you for your help and support

We would like to thank all the individuals and organisations who have donated to Capability Scotland in the last year and for keeping us in mind during these challenging times. These gifts allow us to deliver high standard care, support and education for disabled children and adults across Scotland. The impact of the pandemic has been unprecedented on the lives of the people we care for and we are very grateful for the continued support.

We thank everyone who responded to mailings, made a regular gift, or took part in events such as the 2.6 challenge, Santa Run and Virtual Kiltwalk. Thank you also to the companies and organisations who supported us by holding one of our collection boxes on their premises.

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

With thanks to the following organisations and Trusts:

J Smart & Co (Contractors) plc

Virgin Media

The Andrew & Mary Elizabeth Little  
Charitable Trust

PEN Trust

Miss R E Duncan's Charitable Trust

The Broughton Charitable Trust

The R S Macdonald Charitable Trust

Callendar Charitable Trust

The St Katharine's Fund

The Hinshelwood Gibson Trust

Talteg Ltd

Jean S Innes Charitable Trust

Templeton Goodwill Trust

The JTH Charitable Trust

The W A Cargill Fund

The Meikle Foundation

William Gibson's Trust

The Northwood Charitable Trust

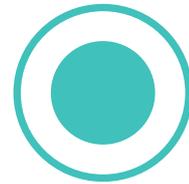
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