



Trustees Report & Accounts 2022

**Capability
Scotland**

Reference & Administrative Information

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| 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 LLP, 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 & Officials

| | |
|------------------------------|---|
| Patron | HRH The Duke of Edinburgh KG KT GBE (deceased - 9 April 2021) |
| President | The Rt Hon. Lord Hardie QC |
| Honorary Life Members | Mr G D Holmes CV FRSE FICFor Mr J Sinclair |

Board of Trustees

| | |
|-------------------------------|--|
| Chair Professor A Cameron CBE | Mr S. Alexander (elected 15 December 2021) |
| Dr J Elder-Woodward OBE | Mr. B. Bingham (elected 15 December 2021) |
| Professor A Waller OBE | Dr. M. Pollard (elected 15 December 2021) |
| Mr. C Johnston | Mr. B. Supple (elected 15 December 2021) |
| Mr. C Gilmour | Miss L. McPherson (co-opted 1 April 2022) |
| Mr. M Payton | Mr. M McCarron (resigned 15 December 2021) |

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

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Capability Scotland

Trustees Annual Report incorporating the Strategic Report for the year ended 31 March 2022

The Trustees present their Annual Report incorporating the Strategic Report and audited financial statements for the year ended 31 March 2022.

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 Memorandum and Articles of Association are currently being reviewed and a revised version is expected to be laid before a Special General Meeting of members during 2022/23.

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, risk management 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, Education & Young People, and Finance & Resources.



Strategic Plan 2018 - 2023

Capability Scotland's Strategic Plan 2018-2023 was developed 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.

The Trustees commenced a review of the Strategic Plan in May 2021, focussing on the values, purpose, and vision for Capability Scotland. A Strategy Development Group has been established to develop our Strategic Plan and strategic objectives for the next period, engaging with internal and external stakeholders in the process. Our vision, mission and values have been refreshed and were launched in April 2022.

Our Vision

An inclusive Scotland where everyone has the opportunity to have their voice heard, contribute to society and fulfil their potential

Our Mission

We will strive to deliver the highest quality services, tailored to the individual needs of disabled people.

We will work in partnership to create innovative solutions which enable our people to achieve their goals.

We will put our customers and learners at the heart of everything we do and will make sure their voices are heard loud and clear.

Our Values



Kind: We will show all of our people kindness, dignity and compassion through our actions and words.



Inclusive: We will treat people with respect, value the opinions of others and celebrate diversity.



Open & Honest: We will always strive to do the right thing and will build trust by being transparent.



Aspirational: We will enable one another to achieve our ambitions and will seek to always do better.



Creative: We will push boundaries, explore alternatives and seek new innovative solutions.

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.

We have strengthened our Board and Committees through the recruitment of new Trustees and completed a review of our governance arrangements to bring our standards of governance in line with best practice.

During the year the Board undertook a self-evaluation exercise to consider how effective its activities have been in upholding its governance responsibilities. This followed the themes set out in the SCVO Governance Code: Organisational Purpose & Strategic Planning; Leadership; Board Behaviour; Control; Effectiveness. It also included diversity information, skills assessment and training requirements.

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 feed 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 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. The Chief Executive and Chris Gilmour represented Capability Scotland at the Service of Thanksgiving for the life of the Duke of Edinburgh at Westminster Abbey on Tuesday 29 March 2022.

Trustees' Section 172 Statement

The Trustees continue to be mindful of their responsibility to promote the long-term success of Capability Scotland. As a Board, we consider our decision-making process to be in the best interests of our stakeholders and charitable reputation.

As Trustees, our aim is to continually support Capability Scotland to ensure that we deliver our mission. In doing so, we are an organisation that guarantees effective stewardship and management of

resources, raises income, builds influence and demonstrates impact, whilst keeping our customers and learners at the heart of everything we do.

Our staff are fundamental to the execution of our vision. The communication on all Capability Scotland activities and performance, which is relevant to them, are regularly updated through our internal newsletter “In the Loop”, email communications, team meetings and our Yammer social media site. The integration of new staff to Capability Scotland, through our induction process, is of paramount importance to the board as a method of instilling our vision and values. Staff wellbeing is prominent in the board’s decision-making process and has been more so during the Covid-19 pandemic.

The Trustees are committed to monitoring and reducing any negative impact Capability Scotland’s activities may have on the environment. Energy and Carbon reporting has increased our awareness of energy costs and consumption across Capability Scotland and provides data to inform the adoption of energy efficient measures to be delivered through our Sustainability plans aimed at reducing our impact on climate change.

As Trustees we consider our intention to operate and behave with the upmost professionalism, to lead by example and ensure our management teams act with the same integrity. This will be key to the delivery of high-quality services to our customers and correlates with the long-term success of our charity.

Capability Scotland promotes a workplace that emphasises employees wellbeing, supported through a benefits package that helps staff care for themselves and their families.

Staff Engagement and Involvement

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 restrictions placed on our services throughout the Covid-19 pandemic has prevented the Trustees from visiting many of our services and meeting with our staff in person. We have engaged with staff via videoconferencing at our Board meetings when presentations have been made on our various services. The Trustees have contributed to the staff newsletter, ‘In the Loop’, throughout the year and have shared content through the Yammer communication channel.

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.

Review of Achievements and Performance during 2021/22



The year 2021 marked our 75th anniversary year and we held a number of events and activities to celebrate this landmark event. Although Covid-19 influenced how the celebrations took place, it was great to celebrate and reflect on our history and of the exemplary care, support, and education we provide. Our 75th Anniversary events included service summer parties where Covid-19 allowed, the launch of a learning and development fund, staff bake-off competition involving all services, collaboration with the Scottish Poetry Library and a video of our staff and customers.

The unprecedented challenges of Covid-19 continued in 2021 and the impact felt across all areas of the organisation. The Covid-19 restrictions significantly reduced day opportunity and community-based services. We 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. The period over Christmas 2021 and into the new year was at the peak of the Omicron variant, and the most challenging for our residential services throughout the whole Covid-19 period. It came at a time of high positive cases, staff shortages and the holiday period. This was a common story across the social care sector but has eased slightly as we moved into 2022.

Our offices remained closed for most of 2021/22 with staff successfully working from home. Hybrid working was introduced for office staff from February 2022, and we welcomed staff back into our buildings.

We relocated our main Edinburgh office to new premises on St John's Road, Corstorphine from summer 2021. The lease on our office at Osborne Terrace had come to a natural end and we used the opportunity to source new accommodation that provides accessible space for training, meetings and our Edinburgh team. We changed our registered office to 24 St John's Road, Edinburgh EH12 6NZ following our relocation.

We were delighted with the news of our accreditation with Investors in People in November 2021. This is a positive development and major achievement for Capability Scotland, and recognises the good practice by our teams across the organisation.

During 2021/22, we welcomed the nationally agreed 2.2% funding increase to our social care contracts, and the subsequent Winter Uplift applied to our adult social care services in December 2021. Whilst the Winter Uplift was good news for our adult social care services, we were frustrated by the lack of a corresponding uplift for our schools and children's services. Despite this shortfall in government funding for schools and children's services we were pleased to apply the Winter Uplift to all staff irrespective of the service they worked for, in recognition of their commitment and continued 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 weekly by video conference 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 whilst it was available 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.

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.

The Trustees remain alert to proposals for a National Care Service, and made a submission to the Scottish Government consultation, based on discussions with the Board in September 2021.

The Final Salary Pension Scheme buy-out process has progressed significantly following the strong pension valuations reported as at 31 March 2021 and 31 August 2021. In May 2022, the pension trustees executed a full member insurance buy-in transaction, which meant the Pension Scheme is no longer exposed to any market risk associated with the pension valuations. A Project Group, consisting of membership of pension trustees, their advisers, and Board and Executive Team representatives will oversee the transition from buy-in to buy-out of the pension scheme. This is expected to be concluded by April 2024.

Development

In 2021/22, we supported 918 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 video conferencing 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.

We remain well placed in terms of tendering and framework agreements for new and existing services. Tendering activity has been comparatively quiet in 2021/22, 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 expect tendering activity to increase momentum, once a level of normality returns following the pandemic.

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. The Trustees approved our second stage business case for relocation to Bertha Park, Perth and significant work continues to progress the project. We have appointed consultants to shape our communications strategy and have engaged with an external specialist fundraiser to assist with our fundraising ambitions. A mock-up of the new studio apartment planned for Bertha Park has been built within Upper Springland to engage and involve customers in the design process.

Throughout 2021/22, 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 SHANARRI (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.

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.

During 2021/22, we continued to make significant investment in our IT infrastructure and systems, building on the foundations established in the previous year. We have improved connectivity at all

our locations, boosting wi-fi connections and improving the experience for both staff and customers. A hardware refresh programme commenced during the year to update and replace staff computer equipment on a cyclical basis. In December 2021, we received Cyber Essentials Plus accreditation which is a major achievement for Capability Scotland give our low base two years ago.

We launched our Fundraising Strategy in June 2021 and appointed a new Fundraising & Communications Manager in November 2021, who has significantly raised our fundraising profile and social media activities across a number of platforms. 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 were delighted to be appointed charity partner for Heriot's Rugby Club, Edinburgh in 2021. The partnership brings increased fundraising opportunities, such as the charity dinner held in support of Capability Scotland in February 2022, but will allow Heriot's to engage with the customers in our Edinburgh services.

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

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. Our Adult and Child

Protection policies and procedures and 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.

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 2021, we launched our BeWell+ programme to promote healthier living for our staff. The programme uses Yammer to share good practice and ideas, and a steering group created to promote initiatives across the organisation. In 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 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. We welcomed the 2.2% funding uplift from 1 April 2021 and the Winter Uplift linked to the increase in SLW from 1 December 2021, however, were frustrated this was limited to our adult social care services only and not extended to our

schools or children's services. The Trustees approved the implementation of both pay uplifts to all staff irrespective of the service they worked for, in the interests of fairness to all Capability Scotland employees. This additional cost was borne by Capability Scotland.

We remain committed to the principles of the Fair Work Framework, which are embedded in our recruitment, induction, and learning and development policies and procedures.

Staff recruitment and retention continues to be significant challenge to Capability Scotland and the wider social care sector. Staff turnover of around 27% continues to be our greatest risk and this has an enormous pressure on service delivery. We continue to work on initiatives to recruit and retain staff, most notably our participation in the Government's Kickstart scheme which has seen 15 young people join the organisation as trainees, fully funded for six months by the Government. We introduced a 'Welcome to Care' payment for new starts and a 'Refer a Friend' payment scheme for existing staff recommending friends or family to work with us to promote recruitment.

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 25 registered care services and continue to receive positive external certifications from the Care Inspectorate for those services inspected. Five services have received the highest grading (grade 6) and nine received a grade of 5. Three services were inspected during 2021/22.

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.

2021/22 represented the second 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 IT security and compliance, void management, learning and development, risk management, procurement and the financial controls at Wallace Court were conducted by the Internal Auditors in 2021/22 and reported to the Executive Team and Finance and Audit Committee. Reviews of systems and controls, budgeting, health and safety regulatory compliance, fixed asset management and safeguarding arrangements are scheduled for 2022.

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 video conference 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. The Vice Chair of the Customer Advisory Group featured in a BBC Reporting Scotland report in February talking

about the re-opening of day care services and portraying Capability Scotland in a very positive light in comparison with local authority providers.

Our customers continue to be involved in the development of policies and procedures, including the use of easy read formats. We appointed two Inclusive Communication Officers during the year to develop and enhance how we communicate with our customers, supporting services and individual members of staff to improve communication skills with customers. We launched our new Customer Engagement Strategy during the year with the involvement of the Customer Advisory Group.

Our services have made extensive use of video conferencing 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.

Staff development and training continues to be delivered through blended learning, mixing online and face-to-face. Adhering to Covid-19 restrictions we have now re-introduced classroom-based learning as well as distance learning via Teams and Zoom. In continuing with distance learning for some of our courses, we have reduced the requirement for staff travel and additional time out of services.

In 2021/22, 87 staff were supported to undertake their Scottish Vocational Qualifications (SVQs) with 56 completing these within the year. Funded places for staff continue to be sourced through colleges and training providers in Dundee, Edinburgh, Lanarkshire, Perth, Borders, and West Lothian. Staff reflect on the skills and values required in their job role through the nationally recognised qualifications whilst improving their care practice.

Our e-learning platform, LearnPro, delivers online learning to support classroom courses. In response to Covid, Infection Control and

Food Safety were added to our mandatory modules, increasing this to nine for all staff. The nine mandatory courses are Adult Protection, Child Protection, Data Protection, Equality & Diversity, Fire Safety, Health & Safety, Duty of Candour, Infection Control and Food Safety. To raise awareness of the subjects staff encounter when supporting customers, additional courses in Autism, Healthy Eating and Diabetes were added. Awareness of Mental Health was also included to support staff and customer wellbeing during the pandemic. In total, 11,547 courses were completed during 2021/22 (10,993 in 2020/21).

We were delighted to be a finalist at the 2022 Scottish First Aid Training Awards in the category of Organisation of the Year for First Aid Excellence. The award ceremony was held in February 2022 in Glasgow.

A system of long service awards for staff was introduced in recognition of 15, 25, 35 and 45 years' service. The Executive Team visited local team meetings throughout October and November to make the presentations to staff. We also took the opportunity to thank staff personally for their efforts over the past 18 months, to update them on our forward plans and give an opportunity for a Q&A session. Both the sessions themselves and the long service awards have been well received with positive feedback.

We held our inaugural staff awards online in September 2021. The nominations process attracted over 80 nominations across six categories; Outstanding Act of Kindness, Outstanding Customer Service, Living Our Values Everyday (LOVE), the Little Acorns award for Creativity, Outstanding Leadership and Team of the Year. There was a high level of engagement and the feedback about the process, the event and the outcome has been universally positive.

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 £849,396, which compares to net income of £818,849 in 2020/21. The net income after actuarial losses on the defined benefit pension scheme and gain on revaluation of the investment property is £525,396 (2020/21 £622,849).

The net income after actuarial losses on the defined benefit pension scheme and excluding the revalued and donated assets was £525,396 for the year (2020/21 £162,849).

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 2021/22 was £26,107,769, which is an increase of £1,383,447 on the previous year. Income from Charitable Activities (note 2) for the delivery of services to disabled people increased year on year by £1,908,599 to £25,401,197. The increase in income reflects the additional support received from and sustainability funding (£1,661,000).

Fundraising income this year was £497,210, which is a reduction of £180,181 on the previous year, excluding the donated property received in 2020/21. The reduced income reflects the continued impact of Covid-19 on our fundraising activities. The costs associated with raising funds was £168,512 (2021 £164,663).

Total expenditure for 2021/22 was £25,258,373, which is an increase of £1,352,900 on the previous year.

The final salary pension scheme valuation under FRS102 rules, which shows a positive position of £7,683,000 (2020/21 £5,971,000), 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 2022, free unrestricted net current assets, expressed as current assets less current liabilities (note 10(d)), totalled £5,738,433 which is 91% of the target amount. This compares to £5,271,007 and 88% in 2020/21.

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 2022, restricted funds totalled £766,333 (2020/21 £736,924).

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 Covid-19 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.

During the year, Risk Register has been reviewed, using the previous year's register as the basis and with reference to the Risk Management Policy approved in March 2022. The Risk Register has been revised to assess the level of risk faced by Capability Scotland before any internal controls are applied (raw risk), in comparison with the level of risk that remains once mitigating actions and controls are in place (residual risk).

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 2022, 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 2.57% (2021 3.92%).

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 Education & Young Person'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 & Resources

Andrew Philip

Director of Adult Services & Business Development

Callum MacGregor

Director of Education & Young People's Services

Vacant

The Director of Education and Young People's Services post is currently being recruited.





Plans for the Future

2021/22 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.

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.



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 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. This event is planned for October 2022.

Streamlined Energy and Carbon Reporting

A summary of the 2021/2022 Streamlined Energy and Carbon Reporting (SECR) report for Capability Scotland is set out below. This is required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. It considers:

- Scope 1 direct emissions
- Scope 2 indirect emissions
- Scope 3 indirect emissions (SECR mandatory) related to fuel used in personal/hire cars on business use (including fuel for which Capability Scotland reimburses its employees following claims for business mileage).

The market-based method for calculating scope 2 emissions with respect to electricity consumption has been applied. Total emissions account for our efforts in purchasing low-carbon electricity across our estate.

The location-based method is provided for disclosure only, and all emissions shown are calculated using the Scope 2 market-based method.

Our reporting period covers 1 April 2021 to 31 March 2022. This is our base year.

Methodology

The methodology used is the Greenhouse Gas Protocol, using UK Government conversion factors produced by the Department for Business, Energy & Industrial Strategy (BEIS 2021, issued 24 January 2022).

Energy Consumption

The energy consumption used to calculate our emissions was 7,363,590 kWh.

| Scope | Category | Unit | 2021 |
|-----------------------------------|--|------------|------------------|
| Scope 1 | Facilities – Stationary combustion | kWh | 5,684,233 |
| | Facilities – Fugitive emissions | kWh | - |
| | Vehicles – Fuel | kWh | 133,859 |
| Scope 2 | Facilities – Purchased electricity | kWh | 1,444,250 |
| Scope 3 | Indirect emissions related to fuel used in personal/ hire cars on business use (including fuel for which Capability Scotland reimburses its employees following claims for business mileage) | kWh | 101,247 |
| Total Consumption Reported | | kWh | 7,363,590 |

Greenhouse Gas (GHG) Emissions

Capability Scotland's total emissions for 2021/22 is 1,297.61 tCO₂ eq.

| Scope | Category | Unit | 2021 |
|---|--|----------------------------|-----------------|
| Scope 1 | Facilities – Stationary combustion | tCO ₂ eq. | 1,043.04 |
| | Facilities – Fugitive emissions | tCO ₂ eq. | 100.00 |
| | Vehicles – Fuel | tCO ₂ eq. | 17.69 |
| Scope 2 | Facilities – Purchased electricity | tCO ₂ eq. | 306.66 |
| Scope 3 | Indirect emissions related to fuel used in personal/ hire cars on business use (including fuel for which Capability Scotland reimburses its employees following claims for business mileage) | tCO ₂ eq. | 24.45 |
| Total GHG emissions – Location-based | | tCO ₂ eq. | 1,491.85 |
| Total GHG emissions – Market-based | | tCO₂ eq. | 1,297.61 |

Intensity Measures

The agreed activity metric chosen by Capability Scotland is Full-Time Equivalent (FTE) employees. The intensity ratio is the total GHG emissions per FTE:

| | |
|------------------------------|------------------------------------|
| Activity Metric | 552 FTE |
| Total GHG emissions reported | 1,297.61 tCO ₂ eq. |
| Intensity Ratio: | 2.35 tCO₂eq./FTE |

Energy Efficient Actions

From an energy efficiency perspective, we have reduced our footprint by relocating to smaller and more practicable facilities, including:

- Closing Berkeley House, Glasgow and relocating to a smaller vacant space at Corseford School.
- Relocating from Halbeath, Fife to a smaller, two room rental in a serviced building.

At St John's Road, Edinburgh, we have upgraded to more energy efficient lighting throughout.

We have procured some of our electricity from fully green and low carbon energy tariffs, some of which are backed by Renewable Energy Guarantees of Origin certificates. This has been reflected within our market-based emissions.

We are implementing a smart cloud-based energy and carbon monitoring system/ portal which will allow us to measure, manage, and control our energy and carbon more effectively.

Our sustainability ambitions will be reviewed in year, and we will work towards reducing our carbon footprint in a practicable and controlled manner.

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

27 June 2022

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 2022 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 2022 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 recognise 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.



James Davidson - 2022-09-05, 12:34:47 UTC

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

Statement of Financial Activities

(Incorporating an Income and Expenditure Account)

For the year ended 31 March 2022

| | | 2022 | | | 2021 |
|--|----|--------------------|------------------|-------------------|-------------------|
| | | Unrestricted Funds | Restricted Funds | Total Funds | Total Funds |
| | | £ | £ | £ | £ |
| Income From: | | | | | |
| Donations and Legacies | 5 | 349,017 | 148,193 | 497,210 | 1,027,400 |
| Charitable Activities | 2 | 22,136,716 | 3,264,481 | 25,401,197 | 23,492,598 |
| Other Trading Activities: | | | | | |
| Commercial Trading Operations | | - | - | - | 31,393 |
| Investments | 4 | 209,362 | - | 209,362 | 172,931 |
| Total | | 22,695,095 | 3,412,674 | 26,107,769 | 24,724,322 |
| Expenditure On: | | | | | |
| Raising Funds | 3 | 168,512 | - | 168,512 | 164,663 |
| Charitable Activities | 3 | 21,706,596 | 3,383,265 | 25,089,861 | 23,740,810 |
| Total | | 21,875,108 | 3,383,265 | 25,258,373 | 23,905,473 |
| Net Income/([Expenditure]) | | 819,987 | 29,409 | 849,396 | 818,849 |
| Transfers between funds | 10 | - | - | - | - |
| | | 819,987 | 29,409 | 849,396 | 818,849 |
| Other recognised gains/ (losses) | | | | | |
| Gain on revaluation of investment property | | - | - | - | 110,000 |
| Actuarial (losses) on defined benefit pension scheme | 3 | (324,000) | - | (324,000) | (306,000) |
| Net Movement in Funds | | 495,987 | 29,409 | 525,396 | 622,849 |
| Reconciliation of Funds: | | | | | |
| Funds brought forward at 1 April 2021 | | 13,329,101 | 736,924 | 14,066,025 | 13,443,176 |
| Funds carried forward at 31 March 2022 | | 13,825,088 | 766,333 | 14,591,421 | 14,066,025 |

All of the above are derived from continuing activities.

The net income for 2021/22 after actuarial losses on the defined benefit pension scheme and excluding the revalued and donated assets received in year is £525,396 (2020/21 £162,849).

The analysis between restricted and unrestricted funds for 2022 is detailed in note 15. The notes on pages 30 to 49 form part of the Accounts.

Balance Sheet

As at 31 March 2022.

| | | 2022 | | 2021 | |
|---|-------|-------------|------------|-------------|------------|
| | Notes | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible Assets | 6 | | 8,086,655 | | 8,077,744 |
| CURRENT ASSETS | | | | | |
| Debtors | 7 | 4,137,946 | | 5,651,063 | |
| Cash at bank and in hand | | 7,443,801 | | 7,795,647 | |
| | | 11,581,747 | | 13,446,710 | |
| Creditors: amounts falling due within one year | 8 | (5,076,981) | | (7,438,779) | |
| NET CURRENT ASSETS | | | | | |
| | | | 6,504,766 | | 6,007,931 |
| TOTAL ASSETS less CURRENT LIABILITIES | | | | | |
| | | | 14,591,421 | | 14,085,675 |
| Liabilities: | | | | | |
| Creditors: amounts falling due after more than one year | 9 | | - | | (19,650) |
| TOTAL NET ASSETS | | | | | |
| | | | 14,591,421 | | 14,066,025 |
| FUNDS OF THE CHARITY | | | | | |
| Unrestricted Funds | 10 | | 13,825,088 | | 13,329,101 |
| Restricted Funds | 10 | | 766,333 | | 736,924 |
| TOTAL FUNDS | | | | | |
| | | | 14,591,421 | | 14,066,025 |

The Accounts were approved by the Board on 27 June 2022 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 23 to 26.

The notes on pages 30 to 49 form part of the Accounts.

Company Number SC036524

Statement of Cash Flows

For the year ended 21 March 2022.

| | | 2022 | 2021 |
|---|-------|------------------|-----------|
| | Notes | £ | £ |
| Cash flows from operating activities | 11 | 13,315 | |
| | | | 4,200,906 |
| Net cash provided by (used in) operating activities | | | |
| Cash flows from investing activities: | | | |
| Dividends, interest and rents from investments | | 209,362 | 172,931 |
| Proceeds from the sale of property, plant and equipment | | - | 15,648 |
| Purchase of property, plant and equipment | | (554,444) | (434,646) |
| Net cash provided by (used in) investing activities | | (345,082) | (246,067) |
| Cash flows from financing activities: | | | |
| Hire purchase interest paid | | (3,116) | (4,850) |
| Repayments of borrowings | | (16,963) | (28,925) |
| Cash inflows from new borrowing | | - | - |
| Net cash provided by (used in) financing activities | | (20,079) | (33,775) |
| Change in cash and cash equivalents in the reporting period | | (351,846) | 3,921,064 |
| Cash and cash equivalents at the beginning of the reporting period | | 7,795,647 | 3,874,583 |
| Cash and cash equivalents at the end of the reporting period | | 7,443,801 | 7,795,647 |

Notes To The Accounts For The Year Ended 31 March 2022

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.

In May 2022, a 'buy-in' of the defined benefit pension scheme by an insurance company was achieved, resulting in the assets and liabilities of the scheme transferring to the new provider, following a positive valuation of the fund in 2021. The 'buy-out' process is expected to continue to April 2024, when final transfer values are confirmed.

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 2022

1. STAFF NUMBERS AND COSTS

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

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | £ | £ |
| Wages and salaries | 15,940,682 | 15,889,657 |
| Redundancy payments | 10,538 | 100,380 |
| Social Security costs | 1,288,311 | 1,244,710 |
| Pensions costs - defined benefits | 324,000 | 306,000 |
| Pensions costs - defined contributions | 627,997 | 650,811 |
| Pension Adjustment - defined contributions | (324,000) | (306,000) |
| Agency Fees | 1,770,606 | 906,848 |
| | 19,638,134 | 18,792,406 |
| | Number | Number |
| The average number of employees of Capability Scotland during the year was: | 825 | 846 |

The above costs include Redundancy Costs of £10,538 (2021 £100,380) 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 £303,123 for the year (2021 £360,210). In addition, pension contributions of £24,124 (2021 £36,208) 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 0 (2021 1); £70,001-£80,000 2 (2021 2); £100,001 - £110,000 1 (2021 1).

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 (2021 £nil) 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 £40,161 (2021 £41,963).

2. NET INCOME

| a) Net Income is stated after charging: | 2022 | 2021 |
|--|-----------------|-------------|
| | £ | £ |
| Auditor's remuneration - audit | 28,000 | 26,000 |
| - audit of Pension Scheme | 3,620 | 3,515 |
| - other | 7,800 | 590 |
| Depreciation of tangible fixed assets (note 6) | 517,167 | 629,672 |
| Rental charges under operating leases | 350,699 | 352,702 |
| Rental Income under operating leases | 140,535 | 152,429 |
| Hire purchase interest | 3,116 | 4,850 |
| | | |
| The surplus is stated after charging: | | |
| Loss on sale of tangible fixed assets | (28,366) | 10,607 |

| b) Income for Charitable Activities by funding source is made up as follows: | 2022 | 2021 |
|---|-------------------|-------------|
| | £ | £ |
| Local Authorities | 21,222,745 | 18,853,414 |
| Scottish Government | 3,482,714 | 3,075,499 |
| Benefits Agency | 295,019 | 351,199 |
| UK Government – Covid-19 Job Retention Scheme | 172,219 | 991,452 |
| Covid-19 Support | 62,470 | 350,931 |
| Other | 166,030 | 140,103 |
| Total | 25,401,197 | 23,492,598 |

Scottish Government income above relates to grants for supporting children and young people with additional support needs £3,066,486 (2021 £2,995,899) and the adult social care worker bonus £392,228 (2021 £0).

| c) Income for Charitable Activities is made up as follows: | 2022 | 2021 |
|---|-------------------|-------------|
| | £ | £ |
| Schools | 5,749,782 | 5,922,440 |
| Other Children's Services | 176,910 | 206,420 |
| Adult Day Services | 4,018,300 | 2,582,154 |
| Adult Residential Services | 9,547,135 | 9,856,886 |
| Community Living Services | 5,691,504 | 4,683,931 |
| Other Services and Activities | 217,567 | 240,767 |
| | 25,401,197 | 23,492,598 |

3. EXPENDITURE

| | Direct activities | Support costs | 2022 Total | 2021 Total |
|---|----------------------|------------------|-------------------|---------------|
| a) Expenditure: | £ | £ | £ | £ |
| Raising funds | 120,571 | 47,941 | 168,512 | 164,663 |
| Charitable Activities | | | | |
| Schools | 4,824,342 | 452,136 | 5,276,478 | 5,430,162 |
| Other Children's Services | 159,067 | 17,322 | 176,389 | 134,962 |
| Adult Day Services | 3,078,693 | 416,971 | 3,495,664 | 2,810,137 |
| Adult Residential Services | 9,123,423 | 887,315 | 10,010,738 | 9,978,327 |
| Community Living Services | 5,109,060 | 492,463 | 5,601,523 | 4,884,434 |
| Other Services | 187,401 | 17,668 | 205,069 | 196,788 |
| Campaigning, Policy, Information and Influencing | - | - | - | - |
| Pension Adjustment | 324,000 | - | 324,000 | 306,000 |
| Total Charitable activities | 22,805,986 | 2,283,875 | 25,089,861 | 23,740,810 |
| Total per the Statement of Financial Activities | 22,926,557 | 2,331,816 | 25,258,373 | 23,905,473 |

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.

c) Support Costs

Support Costs of £2,331,816 (2021 £1,483,659) 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 £83,840 (2021 £84,815) have been included in Support Costs.

4. INVESTMENT INCOME

| | 2022 | 2021 |
|-------------------------|----------------|----------------|
| | £ | £ |
| Bank and other Interest | 19,002 | 20,502 |
| Rental Income | 190,360 | 152,459 |
| | 209,362 | 172,931 |

5. DONATIONS AND LEGACIES

| | 2022 | 2021 |
|------------------------------|----------------|------------------|
| | £ | £ |
| Donations received | 360,550 | 426,557 |
| Donated assets at fair value | - | 350,000 |
| Legacies | 136,660 | 250,843 |
| | 497,210 | 1,027,400 |

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 | 9,557,276 | 664,574 | 599,560 | 3,600,730 | 14,422,140 |
| Additions | - | 91,469 | - | 462,975 | 554,444 |
| Disposals | - | (222,095) | - | - | (222,095) |
| At end of year | 9,557,276 | 533,948 | 599,560 | 4,063,705 | 14,754,489 |

Depreciation

| | | | | | |
|-----------------------|------------------|----------------|----------------|------------------|------------------|
| At beginning of year | 3,424,187 | 332,530 | 488,210 | 2,099,469 | 6,344,396 |
| Provided for the year | 216,199 | 94,792 | 54,805 | 151,371 | 517,167 |
| On disposals | - | (193,729) | - | - | (193,729) |
| At end of year | 3,640,386 | 233,593 | 543,015 | 2,250,840 | 6,667,834 |

Net book value

| | | | | | |
|------------------|------------------|----------------|----------------|------------------|------------------|
| At 31 March 2022 | 5,916,890 | 300,355 | 56,545 | 1,812,865 | 8,068,655 |
| At 1 April 2021 | 6,133,089 | 332,044 | 111,350 | 1,501,261 | 8,077,744 |

| The carrying amount of land & buildings comprises: | 2022 | 2021 |
|---|------------------|-------------|
| | £ | £ |
| Investment property at fair value: | | |
| Long leaseholds | 885,000 | 885,000 |
| Other properties at cost: | | |
| Long leaseholds | 171,479 | 256,738 |
| Freeholds | 4,860,412 | 4,991,351 |
| | 5,916,891 | 6,133,089 |

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.

b) Contingent Liability

In certain circumstances, grants received for refurbishment works on School buildings may become repayable. The total of such grants is £277,390 (2021 £276,676).

c) Assets held under hire purchase contracts

The net book value of assets includes amounts of £12,043 (2021 £47,859) in respect of assets held under hire purchase contracts. The depreciation charge for the year on these assets was £35,816 (2021 £92,041).

7. DEBTORS

| | 2022 | 2021 |
|--------------------------------|------------------|-------------|
| | £ | £ |
| Fees and grants due | 3,063,820 | 2,915,227 |
| Other debtors | 5,582 | 580 |
| Prepayments and accrued income | 1,068,544 | 2,735,256 |
| | 4,137,946 | 5,651,063 |

8. LIABILITIES

| a) Creditors: amounts falling due within one year | 2022 | 2021 |
|--|------------------|--------------------|
| | £ | £ |
| Trade creditors | 460,649 | 212,559 |
| Social Security costs and other taxes | 355,746 | 274,584 |
| Accruals and deferred income | 2,426,209 | 5,840,331 |
| Other creditors and provisions | 1,801,118 | 1,080,734 |
| | 5,043,722 | 7,408,208 |
| Hire purchase instalments | 33,259 | 30,571 |
| | 5,076,981 | 7,438,779 |
| b) Deferred Income | £ | |
| Balance as at 1 April 2021 | | 4,720,340 |
| Amounts released to income earned from charitable activities | | (4,720,340) |
| Amount deferred in year | | 3,012,459 |
| Balance as at 31 March 2022 | | 3,012,459 |

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.

9. LIABILITIES

| Creditors: amounts falling due after one year | 2022 £ | 2021 £ |
|--|-------------------|-------------------|
| Hire purchase instalments | - | 19,650 |

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

10. FUNDS

a) Statement of Funds

| As at 31 March 2022 | Balance 31 Mar 21 £ | Incoming Resources £ | Outgoing Resources £ | Transfers £ | Gains / (Losses) £ | Balance 31 Mar 22 £ |
|--------------------------------|------------------------------------|-------------------------------------|-------------------------------------|------------------------|-----------------------------------|------------------------------------|
| Restricted Funds | 736,924 | 3,412,674 | (3,383,265) | - | - | 766,333 |
| Unrestricted Funds | | | | | | |
| Designated | | | | | | |
| Capital Reserve | 5,073,136 | - | (204,286) | - | - | 4,868,850 |
| Other Funds | 438,016 | - | (8) | - | - | 438,008 |
| | 5,511,152 | - | (204,294) | - | - | 5,306,858 |
| Revaluation Reserve | 110,000 | - | - | - | - | 110,000 |
| General | 7,707,949 | 22,695,095 | (21,670,814) | - | (324,000) | 8,408,230 |
| TOTAL UNRESTRICTED | 13,329,101 | 22,695,095 | (21,875,108) | - | (324,000) | 13,825,088 |
| TOTAL FUNDS | 14,066,025 | 26,107,769 | (25,258,373) | - | (324,000) | 14,591,421 |

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

b) Restricted Funds

| Restricted funds as at 31 March 2022 comprises | 2022 | 2021 |
|---|----------------|----------|
| | £ | £ |
| Operating income earmarked for expenditure | 88,342 | 25,790 |
| Other restricted funds | 677,991 | 711,134 |
| | 766,333 | 736,924 |

Operating income earmarked for expenditure represents income received for specific services and projects. Other restricted funds are made up of 35 individual funds and represent income received from funders with a specific use identified.

c) Designated Funds

Designated funds comprise £4,868,848 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 £469,148 for future development.

| | Unrestricted | Restricted | Total |
|-----------------------|---------------------|-------------------|--------------------|
| | £ | £ | £ |
| Fixed Assets | 8,086,655 | - | 8,086,655 |
| Current Assets | 10,815,414 | 766,333 | 11,581,747 |
| Current Liabilities | (5,076,981) | - | (5,076,981) |
| Long Term Liabilities | - | - | - |
| | 13,825,088 | 766,333 | 14,591,421 |

d) Analysis of Net Assets between Funds as at 31 March 2022

| | Unrestricted | Restricted | Total |
|-----------------------|---------------------|-------------------|--------------------|
| | £ | £ | £ |
| Fixed Assets | 8,086,655 | - | 8,086,655 |
| Current Assets | 10,815,414 | 766,333 | 11,581,747 |
| Current Liabilities | (5,076,981) | - | (5,076,981) |
| Long Term Liabilities | - | - | - |
| | 13,825,088 | 766,333 | 14,591,421 |

Analysis of Net Assets between Funds as at 31 March 2021

| | Unrestricted | Restricted | Total |
|-----------------------|---------------------|-------------------|--------------------|
| | £ | £ | £ |
| Fixed Assets | 8,077,744 | - | 8,077,744 |
| Current Assets | 12,709,786 | 736,924 | 13,446,710 |
| Current Liabilities | (7,438,779) | - | (7,438,979) |
| Long Term Liabilities | (19,650) | - | (19,650) |
| | 13,329,101 | 736,924 | 14,066,025 |

11. NOTES TO THE CASH FLOW STATEMENT**Reconciliation of new income to net cash flow from operating activities**

| Restricted funds as at 31 March 2022 comprises | 2022 | 2021 |
|--|--------------------|-------------|
| | £ | £ |
| Net Income for the reporting period as per Statement of Financial Activities | 849,396 | 818,849 |
| Adjustments for: | | |
| Depreciation charges | 517,167 | 629,673 |
| Pension Fund adjustments | (324,000) | (306,000) |
| Dividends, interest and rents from investments | (209,362) | (172,931) |
| Hire Purchase interest paid | 3,116 | 4,850 |
| Loss on the sale of fixed assets | 28,366 | (10,606) |
| Decrease in debtors | 1,513,117 | (1,610,031) |
| (Decrease) in creditors | (2,364,485) | 4,847,102 |
| | 13,315 | 4,200,906 |

| Changes in net debt | As at 1 April 2021 £ | Cashflows £ | As at 31 March 2022 £ |
|-------------------------|----------------------------|------------------|-----------------------------|
| Cash | 7,795,647 | (351,846) | 7,443,801 |
| Hire purchase liability | (50,222) | 16,963 | (33,259) |
| | <u>7,745,425</u> | <u>(334,883)</u> | <u>7,410,542</u> |

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

12. CONTRACTED COMMITMENTS

a) Capital Commitments

Total contractual commitments for the acquisition of tangible fixed assets are as follows:

| | 2022 £ | 2021 £ |
|---------|----------------------|-----------|
| Capital | 11,029 | - |
| | <u>11,029</u> | <u>-</u> |

b) Operating lease commitments

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

| | 2022 £ | 2021 £ |
|----------------------------|-------------------------|------------------|
| Within one year | 352,074 | 292,667 |
| Between one and five years | 690,187 | 260,587 |
| After five years | 2,258,705 | 1,907,145 |
| | <u>3,300,966</u> | <u>2,464,399</u> |

c) 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:

| | 2022 | 2021 |
|----------------------------|----------------|---------|
| | £ | £ |
| Within one year | 178,642 | 151,662 |
| Between one and five years | 520,000 | - |
| | 698,642 | 151,662 |

13. FINANCIAL INSTRUMENTS

| | 2022 | 2021 |
|---|----------------|---------|
| | £ | £ |
| Carrying amount of financial assets | | |
| Financial assets measured at fair value | 885,000 | 885,000 |

Financial assets measured at fair value represent investment property.

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 £101,382 (2021 £41,963). 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 actuarial valuation was carried out at 31 March 2018 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The most recent 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)

| | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2020 £'000 |
|--|------------------------------------|---------------------------|---------------------------|
| Fair value of plan assets | 27,657 | 28,368 | 27,873 |
| Present value of defined benefit obligation | 19,974 | 22,397 | 21,432 |
| Surplus/(deficit) in plan | 7,683 | 5,971 | 6,441 |
| Unrecognised surplus | 7,683 | 5,971 | 6,441 |
| Defined benefit asset/(liability) to be recognised | - | - | - |
| Deferred tax | - | - | - |
| Net defined benefit asset/(liability) to be recognised | - | - | - |

Recognition of opening and closing balances of the defined benefit obligation

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|------------------------------------|---------------------------|
| Defined benefit obligation at start of the period | 22,397 | 21,432 |
| Current service cost | - | - |
| Expenses | - | - |
| Interest expense | 450 | 500 |
| Contributions by plan participants | - | - |
| Actuarial losses/(gains) | (1,939) | 1,660 |
| Benefits paid and expenses | (934) | (1,214) |
| 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 | 19,974 | 22,397 |

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

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|--|------------------------------------|---------------------------|
| Fair value of plan assets at start of the period | 28,368 | 27,873 |
| Interest income | 576 | 656 |
| Actuarial gains/(losses) | (716) | 899 |
| Contributions by Capability Scotland | 363 | 154 |
| Contributions by plan participants | - | - |
| Benefits paid and expenses | (934) | (1,214) |
| Assets acquired in a business combination | - | - |
| Assets distributed on settlements | - | - |
| Fair value of plan assets at end of period | 27,657 | 28,368 |

The actuarial return on the plan assets over the period ended 31 March 2022 was (£140,000).

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|------------------------------------|---------------------------|
| Defined benefit costs recognised in profit and loss account | - | 19 |

Defined benefit costs recognised in other comprehensive income

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|--|------------------------------------|---------------------------|
| Return on plan assets (excluding amounts included in net interest cost) – gain/(loss) | (716) | 899 |
| Experience gain/(loss) arising on plan liabilities | 406 | 150 |
| Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – loss/(gain) | 1,533 | (1,810) |
| Effects of changes in the amount of surplus not recoverable (excluding amounts included in net interest cost) – gain/(loss) | (1,586) | 626 |
| Total amount recognised in other comprehensive income – loss/(gain) | (363) | (135) |

Assets

| | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2020 £'000 |
|------------------------------|------------------------------------|---------------------------|---------------------------|
| Overseas equities | - | - | - |
| Corporate bonds | 27,461 | 8,711 | 8,841 |
| Government bonds | - | - | - |
| Diversified growth funds | - | 11,600 | 10,356 |
| Property | - | 3,078 | 2,947 |
| Cash | 164 | 471 | 69 |
| Insured pensioners | 32 | 55 | 56 |
| Liability-driven investments | - | 4,453 | 5,604 |
| Total Assets | 27,657 | 28,368 | 27,873 |

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.

Assumptions

| | 31 March 2022 % p.a. | 31 March 2021 % p.a. | 31 March 2020 % p.a. |
|--|-------------------------------------|----------------------------|----------------------------|
| Discount rate | 2.80 | 2.05 | 2.40 |
| Inflation (RPI) | 3.90 | 3.35 | 2.75 |
| Inflation (CPI) | 3.40 | 2.85 | 2.25 |
| Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less | 3.40 | 3.00 | 3.00 |
| Allowance for revaluation payment increases of RPI or 5% p.a. if less | 3.70 | 3.25 | 2.70 |
| Allowance for revaluation payment increases of RPI or 5% p.a. if less | 2.55 | 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 2022 imply the following life expectancies:

| | Life expectancy at age 60 (years) |
|-------------------------|--|
| 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 2022 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:

| | Change in assumption | Approximate change in liabilities |
|-------------------|---------------------------------|-----------------------------------|
| Discount rate | Increase/decrease of 0.5% | Decrease by 6.3% increase by 6.8% |
| Rate of inflation | Increase/decrease of 0.5% | Increase by 3.2% decrease by 3.3% |
| Rate of mortality | 1-year life expectancy increase | Increase by 4.0% |



15. STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income and Expenditure Account)

For the year ended 31 March 2022

| Income From: | | 2022 | | | 2021 | | |
|--|----|-------------------------|-----------------------|------------------|-------------------------|-----------------------|------------------|
| | | Unrestricted Funds £ | Restricted Funds £ | Total Funds £ | Unrestricted Funds £ | Restricted Funds £ | Total Funds £ |
| Donations and Legacies | 5 | 349,017 | 148,193 | 497,210 | 847,715 | 179,685 | 1,027,400 |
| Charitable Activities | 2 | 22,136,716 | 3,264,481 | 25,401,197 | 20,252,687 | 3,239,911 | 23,492,598 |
| Other Trading Activities: | | | | | | | |
| Commercial Trading Operations | | - | - | - | 31,393 | - | 31,393 |
| Investments | 4 | 209,362 | - | 209,362 | 172,931 | - | 172,931 |
| Total | | 22,695,095 | 3,412,674 | 26,107,769 | 21,304,726 | 3,419,596 | 24,724,322 |
| Expenditure On: | | | | | | | |
| Raising Funds | 3 | 168,512 | - | 168,512 | 164,663 | - | 164,663 |
| Charitable Activities | 3 | 21,706,596 | 3,383,265 | 25,089,861 | 20,444,543 | 3,296,267 | 23,740,810 |
| Total | | 21,875,108 | 3,383,265 | 25,258,373 | 20,609,206 | 3,296,267 | 23,905,473 |
| Net Income/(Expenditure) | | 819,987 | 29,409 | 849,396 | 695,520 | 123,329 | 818,849 |
| Transfers between funds | 10 | - | - | - | 254,921 | (254,921) | - |
| | | 819,987 | 29,409 | 849,396 | 950,441 | (131,592) | 818,849 |
| Other recognised gains/(losses) | | | | | | | |
| Gain on Revaluation of Fixed Asset | | - | - | - | 110,000 | - | 110,000 |
| Actuarial (losses) on defined benefit pension scheme | 3 | (324,000) | - | (324,000) | (306,000) | - | (306,000) |
| Net Movement in Funds | | 495,987 | 29,409 | 525,396 | 754,441 | (131,592) | 622,849 |
| Reconciliation of Funds: | | | | | | | |
| Funds brought forward at 1 Apr 2021 | | 13,329,101 | 736,924 | 14,066,025 | 12,574,660 | 868,516 | 13,443,176 |
| Funds carried forward at 31 March 2022 | | 13,825,088 | 766,333 | 14,591,421 | 13,329,101 | 736,924 | 14,066,025 |

All of the above are derived from continuing activities.

The net income for 2021/22 after actuarial losses on the defined benefit pension scheme and excluding the revalued and donated assets received in year is £525,396 (2020/21 £162,849).

The notes on page 30 to 49 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 choosing to support our work 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 continues to be 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 virtual Kiltwalk and Edinburgh Marathon. 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, Trusts and Foundations:

| | |
|---|------------------------------------|
| Heriots Rugby Club | Barratt Homes (Scotland) |
| Lord Armistead's Dundee Trust | The R S Macdonald Charitable Trust |
| W A Cargill Fund | The Mrs Margaret H McInnes Trust |
| Miss R E Duncan's Charitable Trust | The Meikle Foundation |
| William Gibson's Trust | The Northwood Charitable Trust |
| Glebefoot Charitable Trust | Davis Rubens Charitable Trust |
| William Grant Foundation | St Katherine's Fund |
| The Hinshelwood Gibson Trust | Stichting Teuntje Anna (TA Fund) |
| Jean S Innes Charitable Trust | Talteg Ltd |
| The JTH Charitable Trust | The Templeton Trust |
| The Andrew & Mary Elizabeth Little Charitable Trust | |



Company Number SC036524
Scottish Charity Number SC011330