



Trustees' Report & Accounts 2023

**Capability
Scotland** 

Reference & Administrative Information

Charity Number	SC011330
Company Number	SC036524
Registered Office	Vantage Point, 24 St John's Road, Edinburgh EH12 6NZ
Chief Executive	Mr B Logan
Company Secretary	Mr A Philip, Director of Finance & Resources

Committee Members & Officials

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	Dr M Pollard
Professor A Waller OBE	Mr B Supple
Mr C Johnston	Ms A Britain (elected 28 September 2022)
Mr C Gilmour	Mr D Hourston (elected 28 September 2022)
Mr M Payton	Miss L McPherson (elected 28 September 2022)
Mr S Alexander	Mr G Thomson (co-opted 1 October 2022)
Mr B Bingham	Dr J Elder-Woodward OBE (resigned 28 July 2022)

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

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

Table of Contents

2	Reference & Administrative Information
2	Committee Members & Officials
3	Table of Contents
4	Trustees' Report
6	Our Strategic Statement 2023-2028: One Capability, Our Capability.
9	Review of Achievements and Performance during 2022/23
19	Plans for the Future
21	Streamlined Energy and Carbon Reporting
24	Statement of Trustees' Responsibilities
25	Independent Auditors' Report to the Members and Trustees
29	Statement of Financial Activities
30	Balance Sheet
31	Statement of Cash Flows
32	Notes To The Accounts For The Year Ended 31 March 2023



Trustees' Annual Report incorporating the Strategic Report for the year ended 31 March 2023

The Trustees present their Annual Report incorporating the Strategic Report and audited financial statements for the year ended 31 March 2023.

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 2023/24.

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.



Our Strategic Statement 2023-2028: One Capability, Our Capability.



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 set the course of Capability Scotland's practice and direction from 2018 to 2023 to deliver our mission.

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 values have been refreshed and were launched in April 2022.

Our Strategic Statement 2023-2028

Our strategic statement One Capability Our Capability has been developed in consultation and with feedback from our staff and customers, internal and external stakeholders. It sets the course of Capability Scotland's practice and direction from 2023 to 2028 to deliver our mission:

What we believe in - An inclusive Scotland where everyone has the opportunity to have their voice heard, contribute to society and fulfil their potential

Who We Are - We are the trusted not-for-profit provider of quality care, support and education, enabling people with diverse needs to live their best life.

What We Do - We deliver exemplary services for disabled children, young people and adults in communities across Scotland

The work we undertake to deliver our strategic statement is supported by our operational plan, financial plan and risk register.

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 Priorities

The Trustees identified the following priorities for our Strategic Statement 2023-2028, and these continue to be our focus:

- **Voice** - We put the people we support at the heart of everything we do and make sure their voices are heard loud and clear;
- **Excellence** - We strive to deliver the highest quality services, tailored to the individual needs of disabled people, their families and carers;
- **Flexibility** - We create innovative solutions which enable the people we support to achieve their goals;
- **Thriving** - We invest in our talent, developing the highest quality employees, all built on strong financial foundations and sustainable services;

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, further education, residential care, respite services, 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 issues that matter to them. 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.

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, and 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.

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 Viva Engage (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 and after 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.

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 continued to be delivered where restrictions allowed, and our customers and learners supported safely.

As the restrictions placed on our services eased, the Trustees were pleased to resume visits to 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 also contributed to the staff newsletter, ‘In the Loop’, throughout the year.

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 2022/23



Our 75th anniversary celebrations continued into 2022. It has been great to celebrate and reflect on our history and of the exemplary care, support and education we provide. The final event was a visit by HRH The Duchess of Edinburgh to Riccarton, Edinburgh in June 2022, where she engaged with the people we support in a number of activities.

We held a successful event with our partners from the Scottish Poetry Library in Edinburgh in May 2022, to showcase the work we have been doing to bring poetry to our learners at Stanmore House School and to launch a poem specially commissioned for our 75th Anniversary, written by Scottish poet Ellen Renton.

We were presented with a painting by the renowned artist William Littlejohn to display in our Upper Springland service. The gift was made by the Royal Scottish Academy of Art and Architecture and was officially handed over by the President of the Academy, Joyce Cairns at a small event in June 2022. We hope this will lead to further engagement with the Academy, including the development of an art strategy for our services.

The end of our 75th anniversary celebrations coincided with the easing of restrictions in place for the Covid-19 pandemic. The restrictions had significantly reduced day opportunity and community-based services, with additional controls in place across our residential services. Our day opportunities and community-based services had to quickly adapt to changing circumstances so

that we could continue to provide valuable support to our customers. Where it was no longer possible for customers to access our building-based services, we quickly repositioned our delivery to provide individual support in the community complemented with videoconferencing and social media activities. This flexibility has been welcomed by our local authority partners.

As a services returned to some form of normality, we welcomed the people we support back into our buildings with no restrictions. We are grateful to our staff for the commitment to the people we have supported throughout these challenging times.

During 2022/23, we moved to the Scottish Government-recommended £10.50 per hour for our main grade of care and support workers. Whilst this 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 uplift to all staff irrespective of the service they

worked for, in recognition of their commitment and continued dedication to the people we support.

We created a new Care Practitioner grade which recognises experienced staff or those with care qualifications (SVQ3) in direct response to staff feedback. The introduction of Care Practitioners starts to recognise those colleagues with experience over those starting with Capability Scotland and with no care

experience whatsoever. In response to the particularly acute recruitment and retention problems within nightshift workers, we introduced a premium on those rates of pay.

We are continuing to work closely with our partners at Investors in People following our successful accreditation in 2021. The accreditation recognises the good practice by our teams across the organisation, and we have included the learning from IiP in our People Action Plan for 2022-2024. We plan to follow this up with our next people survey in November 2023, leading to reaccreditation in 2024.

Our Operational Plan has been updated to reflect the challenges we face moving forward. It underpins the Strategic Statement 2023-2028 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. The Bill for the creation of a National Care Service was published in June 2022, and is broadly in line with what had been expected. There is however much still to be determined including the specific role of the proposed local Care Boards, the financial memorandum, a final determination on where children's services and criminal justice services will sit and many other areas.

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 summer 2024.

Development

In 2022/23, we supported 930 children, young people, and adults through our schools, college, 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.

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 2022/23, 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 development of a National Care Service. We do, however, expect tendering activity to increase momentum in the coming year.

Our ambitious plans to relocate our largest service provision from Upper Springland to

Bertha Park, Perth continues to gather positive support and momentum. Named Our Inclusive Community Project, we are currently in discussion with developers to reach an exclusivity agreement to secure land for the site. The ongoing continuity of services at our Upper Springland site remains a key priority for Capability Scotland in conjunction with our aspirational plans for the new Bertha Park provision.

The appointment of a Co-Production Lead has ensured the aspirations of our customers, families and staff are incorporated in our service modelling and design plans, a process positively received by the Care Inspectorate. Development of a comprehensive Design Statement and Design Brief in partnership with architects, has helped shape early concept designs to deliver inclusive, enabling, accessible services and buildings that promote health, well-being and opportunities for personal growth and independence, at the heart of this new community.

We have started a project with MOBIE (Ministry of Building Innovation & Enterprise), an organisation headed up by TV personality George Clarke. The project engages with pupils at Bertha Park High School, other schools and colleges across Scotland, and our own learners at Stanmore and Corseford schools to help design our new building. This received excellent coverage in the media including a visit by Scottish Television at the launch event held in June 2022. Further media work has been undertaken and more is planned for the coming weeks including some publicity around the MOBIE project. The introduction of a dedicated microsite encourages engagement with all stakeholders. An official launch of the OICP is planned for June 2023.

We are delighted that our College at Corseford opened its doors to 16 students in September 2022. Funded by the Scottish Government, local authority partners and the RS MacDonald Trust, Corseford College

provides an opportunity for people with complex needs to continue their education post-school leaving age. The College was officially launched on Wednesday 8 February 2023, by the Minister for Further & Higher Education, Jamie Hepburn MSP. This resulted in very high national press coverage with excellent pieces on BBC Reporting Scotland, GB News, The Herald and in local newspapers. Mhairi Black, the local MP and Deputy Leader of the SNP Westminster Group, also visited the College in March 2023.

The College Oversight & Advisory Board provides an overview of the College operations, and we appointed the new Head of College in August 2022. Governance arrangements for the College are under review and a new Committee of the Board is likely to be established in time for the 2023/24 academic year.

We have strong interest for the 2023/24 session, already both assessments and transition visits for the prospective students have been arranged. We need to secure the agreement on 2023/24 funding allocations, and the Head of College is liaising with Scottish Government officials to progress this.

Throughout 2022/23, 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 2022/23 which were difficult to fill due to the Covid-19 restrictions. Vacancies at Upper Springland, 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.

Our IT transformation continues to advance, with both our new Case File Management System and HR/Payroll System remaining on track for implementation. The Case File Management system is currently being tested to ensure it meets our requirements, and a phased implementation across pilot sites commenced in June 2023. The payroll system (iTrent) undertook parallel running in March 2023 and, successfully went live the following month. The HR modules are being finalised with implementation, including self-service facilities for all staff, from summer 2023.

We continue to improve 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 March 2023, we received Cyber Essentials Plus re-accreditation which is a major achievement for Capability Scotland and provides assurance in our cyber security controls and arrangements.

Our partnership working with NHS Education Scotland (NES) continues and we have been selected as one of only two social care provider pilot sites for their Microsoft 365 Digital Skills Hub. The project seeks to create a Digitally Enabled Workforce (DEW) and has a remit of upskilling staff across healthcare

in digital initiatives. This is the first extension of this to social care and if successful will be rolled out across the whole social care sector.

Following the development and implementation of our Fundraising Strategy in 2021 Capability Scotland has made significant progress in embedding fundraising activity within the wider organisation, with staff, customers and external stakeholders engaging in fundraising activity.

Our charity partnership with Heriot's Rugby Club, Edinburgh has raised £24,000 since 2021, and has been extended for a further three years until 2026. The partnership brings increased fundraising opportunities, such as the charity dinner held in support of Capability Scotland in February 2023, but will also allow Heriot's to engage with the customers in our Edinburgh services. We have developed a corporate partnership with Blackmount Wealth Management who have pledged to donate a percentage of their annual profits to Capability Scotland. The partnership has been established in perpetuity with Blackmount also committing to engage in a corporate volunteer programme.

In May 2022 we held our first virtual challenge event 'Pedal with Power.' This proved successful in cultivating new donors but also engaging our staff, customers, their friends and families in fundraising. We continue to focus on driving participation in third party challenge events including but not limited to the Kiltwalk, Edinburgh and London marathons and Great Scottish Run.

We have invested heavily in Trusts and Foundations over the last year, with the appointment of a dedicated Fundraising Officer. This has led to a significant increase in income from Trusts and Foundations and offered the opportunity for us to develop lasting relationships with key donors.

Gifts in wills continue to make a significant contribution to our individual giving activity and we recognise the need to nurture legacy gifts. This will be a focus of our fundraising

activity in the next financial year.

The introduction of our biannual community magazine CS Matters has enabled us to create a direct mailing campaign which makes a valuable contribution towards our income.

Autumn 2022 saw the development of a Communications and Marketing Action plan which will guide communication and marketing activity for the next financial year. The focus will be on building our social media reach, developing how we communicate digitally, growing relationships with the media and expanding our work in public relations.

Our social media presence continues to grow, and we are now operating across Facebook, Twitter, Instagram and LinkedIn. Facebook and Twitter remain our primary channels with a 9.9% increase in our Facebook following and 3.5% increase on Twitter over the last year.

Across the organisation staff engagement with Viva Engage (Yammer) continues to improve. We now operate 69 communities where staff can engage with others on specific topics, share best practice and keep up to date on what's going on across the organisation.

At the end of 2022, in partnership with our colleagues in Inclusive Communications and Quality Improvement we launched 'Connect' a magazine for the people we support. The magazine was produced with customers from the Customer Advisory Group and future editions will feature articles written by our customers. Connect is designed to share stories and updates from across the organisation with the people we support and offer them the opportunity to share their stories and have their voice heard.

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. Our BeWell+ programme continues in earnest, ensuring that staff health and wellbeing remains at the top of our agenda. Activities have included Step Count Challenges, Random Acts of Kindness days and cake and coffee mornings to foster a sense of team working across our services. We also invested in a new Employee Assistance Programme, with an innovative LiveChat/ Whatsapp service, helping those who don't feel comfortable discussing their mental or financial health on the phone. Our portfolio of e-learning modules continues to increase to support staff and raise awareness of key health and wellbeing themes.

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 30% continues to be our greatest risk and this has an enormous pressure on service delivery. We continue to take various actions to mitigate the position, but it is a common story across all social care providers and indeed in a number of other sectors. We appointed a Recruitment Business Partner in our HR team, who continues to make an impact and focused efforts have resulted in a number of offers being made to fill vacancies. There is an increased focus on growing our pipeline, creating partnerships with multiple agencies such as the Department of Work and Pensions, Fedcap, Remploy, Women Returners and multiple colleges and schools throughout the country.

We continue to undertake initiatives to

recruit and retain staff, most notably our participation in the Government's Kickstart scheme which saw 18 young people join the organisation as trainees, fully funded for six months by the Government.

One of the most significant issues for us relates to levels of pay. These are sector-wide where social care providers, given levels of Government funding, are not able to compete with other sectors such as retail and hospitality where hourly rates are higher for arguably less responsibility. We are also competing with the NHS and local authorities who, even more frustratingly, are able to pay more in similar roles than we can in the third and independent sector.

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 funding uplift from 1 April 2022 linked to the increase in SLW from 1 December 2021, however, we 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, those such settlements in future years will not be sustainable.

With Covid-19 restrictions relaxed the opportunity was taken to revamp the Health and Safety Committee which had been meeting virtually for the past three years. The first meeting took place in March 2023 made up of the Executive Team, members of the Estates team and representatives from each of the service types. Its remit is to advise on issues, changes and recommendations regarding Capability Scotland's policies and procedures, provide a forum for discussion between management and service representatives, monitor H&S performance of services and to review the adequacy of training and communication regarding H&S across the organisation. New arrangements at a local level will allow not only for better

H&S monitoring and communication but will also help incorporate the new Infection Prevention and Control requirements which are mandatory for residential services and enable us to embed these as good practice across all service types.

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.

We have made significant changes to the set up and deployment of our Estates Team, in particular the maintenance teams. Now working as two collectives; Estates Team West and North the maintenance teams work across all services in their area. The creation of an online maintenance request form allows for work to be logged by the service and a priority rating set in order to deploy resources where they are most required alongside the scheduled planned preventative maintenance programme. This has allowed for substantial savings, cost avoidance and redeployment and repurposing of assets.

As well as more services benefitting from day-to-day maintenance assistance from the in-house team, the Estates Team were also heavily involved in preparations for high profile events such as the Royal Visit to Riccarton in June 2022 and the opening of Corseford College in September 2022.

External Assurance

We currently have 25 registered care services and continue to receive positive external certifications from the Care Inspectorate for those services inspected. There was an increase in Care Inspectorate visits during 2022/23, following the easing of Covid-19 restrictions. Ten services were inspected during the year, all receiving grades of 4 and 5, indicating a good and very good service.

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.

The internal audit programme continued in 2022/23, providing assurance on the internal controls and systems across the organisation. Internal audits covering reviews of systems and controls, budgeting, health and safety regulatory compliance, fixed asset management and the financial controls at our Dumfries services were conducted by the Internal Auditors in 2022/23 and reported to the Executive Team and Finance and Audit Committee. Five reviews are planned for 2023/24; Treasury Management, review of HR policies, Sustainability (climate change), key financial controls at Fife Services, review of effectiveness of the D&G Brokerage service model.

Empowerment

The Customer Advisory Group and Have Your Say Group have held their meetings by videoconference this year due to the restrictions imposed by Covid-19. The Chair of the Board and the Chief Executive attend Customer Advisory Group meetings at least twice per year.

Our customers continue to be involved in the development of policies and procedures, including the use of easy read formats. Our Inclusive Communication Officer's role is to develop and enhance how we communicate with our customers, supporting services and individual members of staff to improve communication skills with customers.

Staff development and training continues to be delivered through blended learning, mixing online and face-to-face, with 222 individual courses delivered across 2022/23. Whilst the major effects of the pandemic eased this year, we recognise the benefits that online learning bring and plan to continue this for appropriate courses. We were successful

in our application for £70,000 funding to support our continued staff development, allowing us to deliver over 70 SVQs and modern apprenticeships.

Our e-learning platform, LearnPro delivers online learning to support classroom courses. 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. In total, 10,649 courses were completed during 2022/23 (10,080 in 2021/22), including many non-mandatory development courses like Mental Health at Work and Supporting Staff through Grief.

We were delighted to be a finalist at the SSSC Awards in Glasgow in November as our Dumfries and Galloway team were nominated in the "Excellence in Disability Services" category.

Our Inclusive Communications Officer was shortlisted for a Communication Matters Augmentative and Alternative Communication (AAC) Award. Communication Matters is a nationwide organisation that supports and celebrates all forms of communication aids.

We held our inaugural staff conference in October 2022 in Glasgow with around 300 of our colleagues joining together for a day of learning, reflection, networking, and celebration. This was the first of its kind for Capability Scotland, and an opportunity to bring staff together to thank them personally for their commitment to our customers and Capability Scotland over the year and to provide an update on our future plans. With exhibitors, breakout learning sessions, "Ask the Executive Team" session, an awards ceremony, and even some famous faces, the day was a major success, with positive feedback from staff.

Our annual staff awards attracted over 100 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. The staff conference presented the perfect

opportunity to celebrate success, and the level of engagement has been positive.

In addition to our annual staff awards, we realised we needed a way to recognise our colleagues who live our values daily, so launched our Making your Mark recognition scheme. Staff can nominate anyone who they see displaying our values in the day-to-day role, with a badge recognising their contribution awarded.

Monitoring Achievement

Achievement is monitored by the Board, and its Finance and Audit, and Service Quality sub-committees on a quarterly basis. The Remuneration and Nominations sub-committee meets as required. 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 expenditure of £274,647, which compares to net income of £849,396 in 2021/22. The net movement in funds after actuarial gains/ (losses) on the defined benefit pension scheme is £375,353 (2021/22 £525,396).

Total income for 2022/23 was £28,113,927, which is an increase of £2,006,158 on the previous year. Income from Charitable Activities (note 2) for the delivery of services to disabled people increased year on year by £1,502,761 to £26,903,958. The principal sources of funding were grants and contracts with local authorities and the Scottish Government.

Fundraising income this year was £966,295, which is an increase of £469,085 on the previous year. The increased income is due to an increased number of legacies made during

the year. The costs associated with raising funds was £212,116 (2022 £168,512).

Total expenditure for 2022/23 was £28,388,574, which is an increase of £3,130,201 on the previous year.

The final salary pension scheme valuation under FRS102 rules, which shows a positive position of £1,171,000 (2021/22 £7,683,000), 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 9(d)) being equivalent to three months' expenditure. At 31 March 2023, free unrestricted net current assets, expressed as current assets less current liabilities (note 9(d)), totalled £5,995,450 which is 97% of the target amount. This compares to £5,738,433 and 91% in 2021/22.

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 2023, restricted funds totalled £836,409 (2021/22 £766,333).

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 recruitment and retention of staff; 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, the Risk Register has been reviewed, using the previous year's register as the basis and with reference to the Risk Management Policy. 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 2023, 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 2.21% (2022 2.57%).

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 People'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

We have built a strong foundation for the future during 2022/23.

Our future plans include:

- 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 finance 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.

Following the success of our first-ever staff conference in October 2022, we plan to hold an awards ceremony for staff to celebrate success and recognise achievements made during the year. This will bring together as many staff as possible 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 2023.



Streamlined Energy and Carbon Reporting

A summary of the 2022/2023 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 2022 to 31 March 2023.

Methodology

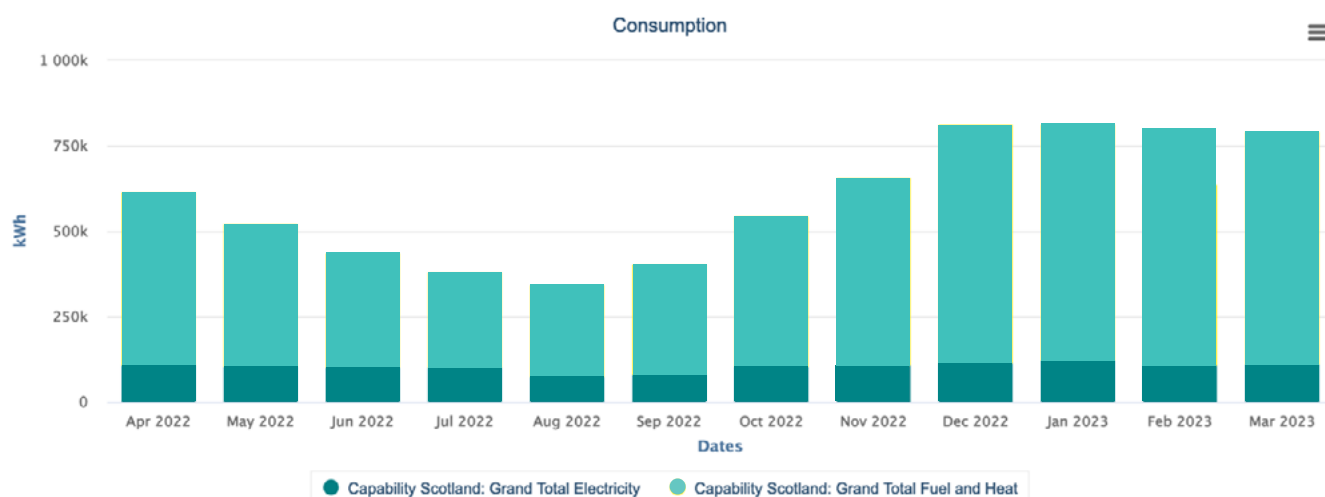
The methodology used is the Greenhouse Gas Protocol, using UK Government conversion factors produced by the Department for Business, Energy & Industrial Strategy (BEIS 2021, issued 24 January 2022).

Energy Consumption

The energy consumption used to calculate our emissions was 7,354,010 kWh, which is similar to the level of consumption for the previous year:

Scope	Category	Unit	2023	2022
Scope 1	Facilities – Stationary combustion	kWh	5,713,027	5,684,233
	Facilities – Fugitive emissions	kWh	-	-
	Vehicles – Fuel	kWh	261,623	133,859
Scope 2	Facilities – Purchased electricity	kWh	1,264,565	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	114,796	101,247
Total Consumption Reported		kWh	7,354,010	7,363,590

There has been an increase in energy consumption from more carbon intensive sources, particularly scope 1 fuel, resultant from a post Covid-19 rebound in the utilisation of our minibuses to transport our customers. Conversely and positively, there was a 12.4% reduction in our electricity consumption in 2022/23.



The monthly profile of our electricity and gas consumption shows that 82% of the energy we consume within our facilities is driven by natural gas consumption for space heating, and the production of domestic hot water.

Greenhouse Gas (GHG) Emissions

Capability Scotland's total emissions for 2022/23 is 1,383.29 tCO₂ eq. (2021/22 1,297.61 tCO₂ eq.)

Scope	Category	Unit	2023	2022
Scope 1	Facilities – Stationary combustion	tCO ₂ eq.	1,042.86	1,043.04
	Facilities – Fugitive emissions	tCO ₂ eq.	3.60	100.00
	Vehicles – Fuel	tCO ₂ eq.	62.71	17.69
Scope 2	Facilities – Purchased electricity	tCO ₂ eq.	244.54	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.	28.55	24.45
Total GHG emissions – Location-based		tCO ₂ eq.	1,382.25	1,491.85
Total GHG emissions – Market-based		tCO₂ eq.	1,383.29	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:

	2023	2022
Activity Metric	536 FTE	552 FTE
Total GHG emissions reported	1,383.29	1,297.61 tCO ₂ eq.
Intensity Ratio:	2.58 vCO₂eq./FTE	2.35 tCO₂eq./FTE

Energy Efficient Actions

From an energy efficiency perspective, we continue to assess opportunities to reduce our GHG footprint by relocating to smaller and more practical facilities, subject to contractual terms/expiration.

During the reporting period we moved out the Alexander Anderson building in Wishaw, to a smaller more efficient facility in Motherwell.

We are planning to relocate our largest service provision from Upper Springland to Bertha Park, Perth in the medium term. Our Inclusive Community Project (OICP) will focus on optimising accessibility, increasing the deployment of assistive technologies to enhance people's lives, increasing the level of training and staff development, creating useable outdoor spaces and developing facilities that support wellbeing through the provision of natural light, excellent air quality and balanced temperatures. As part of the future design of OICP, we will ensure that the most practicable and energy efficient building services and controls are deployed to reduce our operational expenditure, minimise our carbon footprint and lower our energy consumption.

A very small percentage of our electricity has been procured from green/low carbon energy tariffs. However, the majority of our contracts have been procured from mixed sources, the carbon content of which is driven by a high proportion of thermally generated, fossil fuel sources. We will be reviewing our utilities contract procurement moving forward, to optimise the renewable content therein.

Working with ECO3 Partnership Limited, we continue to use a smart cloud-based energy and carbon monitoring system/portal which has allowed us to measure, manage, control, and monitor our energy and carbon effectively. The management dashboard delivers a clear insight into our energy consumption across our entire portfolio of energy consuming assets, buildings, processes and transport.

Statement of Trustees' Responsibilities

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

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charity will continue in operation.


The trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the trustees are aware, there is no relevant audit information of which the charitable company's auditor is unaware and the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is 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


Alexander Cameron – 2023-08-03, 08:12:12 UTC

Professor A Cameron CBE, Chair

29 June 2023

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 2023 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 2023 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 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 directors' (who are also the trustees of the charitable company for the purpose of charity law) 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 contained within the annual report. 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 this gives rise to a material misstatement in the financial statements themselves. 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 Statement of Trustees' Responsibilities, 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 charitable 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 charitable 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

As part of our planning process:

- We enquired of management the systems and controls the charitable company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. Management informed us that there were no instances of known, suspected or alleged fraud;
- We reviewed internal audit reports presented to the Finance and Audit Committee;
- We obtained an understanding of the legal and regulatory frameworks applicable to the charitable company. We determined that the following areas were 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;
- We considered the incentives and opportunities that exist in the charitable company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment

accordingly; and

- Using our knowledge of the charitable company, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

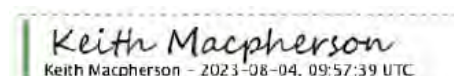
The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Inquiring of management 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 and sub-committee meeting minutes;
- 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.

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

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

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



Keith Macpherson
Keith Macpherson - 2023-08-04, 09:57:39 UTC

Keith Macpherson (Senior Statutory Auditor)

For and on behalf of Henderson Loggie LLP
Chartered Accountants, Statutory Auditor

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

11-15 Thistle Street
Edinburgh, EH2 1DF

Statement of Financial Activities

(Incorporating an Income and Expenditure Account)

For the year ended 31 March 2023

		2023			2022
		Unrestricted Funds	Restricted Funds	Total Funds	Total Funds
Income From:		£	£	£	£
Donations and Legacies	5	695,550	270,745	966,295	497,210
Charitable Activities	2	23,695,849	3,208,109	26,903,958	25,401,197
Other Trading Activities:					
Investments	4	243,674	-	243,674	209,362
Total		24,635,073	3,478,854	28,113,927	26,107,769
Expenditure On:					
Raising Funds	3	212,116	-	212,116	168,512
Charitable Activities	3	24,767,681	3,408,777	28,176,458	25,089,861
Total		24,979,797	3,408,777	28,388,574	25,258,373
Net Income/(Expenditure)		(344,724)	70,077	(274,647)	849,396
Other recognised gains/(losses)					
Actuarial gains on defined benefit pension scheme	13	650,000	-	650,000	(324,000)
Net Movement in Funds		305,276	70,077	375,353	525,396
Reconciliation of Funds:					
Funds brought forward at 1 April 2022		13,825,088	766,333	14,591,421	14,066,025
Funds carried forward at 31 March 2023		14,130,363	836,409	14,966,772	14,591,421

All of the above are derived from continuing activities.

The net movement in funds after actuarial gains/(losses) on the defined benefit pension scheme is £375,353 (2021/22 £525,396).

The analysis between restricted and unrestricted funds for 2023 is detailed in note 14. The notes on pages 32 to 50 form part of the Accounts.

Balance Sheet

As at 31 March 2023

	Notes	2023		2022	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	6		8,134,913		8,086,655
CURRENT ASSETS					
Debtors	7	3,407,237		4,137,946	
Cash at bank and in hand		7,572,385		7,443,801	
		10,979,622		11,581,747	
Creditors: amounts falling due within one year	8	(4,147,763)		(5,076,981)	
NET CURRENT ASSETS			6,831,859		6,504,766
TOTAL ASSETS less CURRENT LIABILITIES			14,966,772		14,591,421
Liabilities:					
Creditors: amounts falling due after more than one year			-		-
TOTAL NET ASSETS			14,966,772		14,591,421
FUNDS OF THE CHARITY					
Unrestricted Funds	9		14,130,363		13,825,088
Restricted Funds	9		836,409		766,333
TOTAL FUNDS			14,966,772		14,591,421

The Accounts were approved by the Board on 29 June 2023 and signed on their behalf by:


Alexander Cameron – 2023-08-03, 08:12:12 UTC

Professor A Cameron CBE

Chair

The Auditor's report to the Trustees and Members of Capability Scotland is on pages 27 to 28.

The notes on pages 32 to 50 form part of the Accounts.

Company Number SC036524

Statement of Cash Flows

For the year ended 31 March 2023.

	Notes	2023 £	2022 £
Cash flows from operating activities	11	466,665	13,315
Net cash provided by (used in) operating activities			
Cash flows from investing activities:			
Dividends, interest and rents from investments		243,674	209,362
Purchase of property, plant and equipment		(569,879)	(554,444)
Net cash provided by (used in) investing activities		(326,205)	(345,082)
Cash flows from financing activities:			
Hire purchase interest paid		-	(3,116)
Repayments of borrowings		(11,874)	(16,963)
Net cash provided by (used in) financing activities		(11,874)	(20,079)
Change in cash and cash equivalents in the reporting period		128,586	(351,846)
Cash and cash equivalents at the beginning of the reporting period		7,443,801	7,795,647
Cash and cash equivalents at the end of the reporting period		7,572,387	7,443,801

Notes To The Accounts For The Year Ended 31 March 2023

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 7 (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.

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.

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.

1. STAFF NUMBERS AND COSTS

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

	2023	2022
	£	£
Wages and salaries	16,066,523	15,940,682
Redundancy payments	77,449	10,538
Social Security costs	1,368,279	1,288,311
Pensions costs - defined benefits	974,000	324,000
Pensions costs - defined contributions	623,076	627,997
Pension Adjustment - defined contributions	-	(324,000)
Agency Fees	3,169,451	1,770,606
	22,278,778	19,638,134
	Number	Number
The average number of employees of Capability Scotland during the year was:	805	825

The above costs include Redundancy Costs of £77,449 (2022 £10,538) 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 £317,426 for the year (2022 £303,123). In addition, pension contributions of £21,182 (2022 £24,124) were paid to a defined contributions pension scheme. Employees receiving salaries, plus benefits in kind, of more than £70,000 were in the bands £70,001 - £80,000 0 (2022 2); £80,001 - £90,000 2 (2022 0); £100,001 - £110,000 0 (2022 1); £110,001 - £120,000 1 (2022 0).

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

b) Trustees' Remuneration and Related Parties

No Trustees received remuneration in the year. Expenses of £84 (2022 £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 £39,501 (2022 £40,161).

2. NET INCOME

a) Net Income is stated after charging:	2023	2022
	£	£
Auditor's remuneration - audit	30,800	28,000
- audit of Pension Scheme	3,980	3,620
- other	900	7,800
Depreciation of tangible fixed assets (note 6)	521,621	517,167
Rental charges under operating leases	373,176	350,699
Rental Income under operating leases	199,037	140,535
Hire purchase interest	-	3,116

The surplus is stated after charging:

Loss on sale of tangible fixed assets	-	(28,366)
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b) Income for Charitable Activities by funding source is made up as follows:	2023	2022
	£	£
Local Authorities	22,980,869	21,222,745
Scottish Government	3,452,800	3,482,714
Benefits Agency	294,220	295,019
UK Government – Covid-19 Job Retention Scheme	-	172,219
Covid-19 Support	40,308	62,470
Other	135,761	166,030
Total	26,903,958	25,401,197

Scottish Government income above relates to grants for supporting children and young people with additional support needs £3,051,391 (2022 £3,066,486).

c) Income for Charitable Activities is made up as follows:	2023	2022
	£	£
Schools	5,869,515	5,759,782
Other Children's Services	233,001	176,910
Adult Day Services	4,431,682	4,018,300
Adult Residential Services	10,091,037	9,547,135
Community Living Services	5,753,778	5,691,504
College Education & Support	456,858	-
Other Services and Activities	68,087	207,566
Total	26,903,958	25,401,197

3. EXPENDITURE

	Direct activities	Support costs	2023 Total	2022 Total
a) Expenditure:	£	£	£	£
Raising funds	163,335	48,781	212,116	168,512
Charitable Activities				
Schools	5,361,718	506,158	5,867,876	5,276,478
Other Children's Services	223,684	22,922	246,606	176,389
Adult Day Services	3,162,803	413,648	3,576,451	3,495,664
Adult Residential Services	9,979,584	931,461	10,911,045	10,010,738
Community Living Services	5,523,361	530,096	6,053,457	5,601,523
	473,404	20,415	493,819	-
Other Services	53,204	-	53,204	205,069
Pension Adjustment - defined contributions	974,000	-	974,000	324,000
Total Charitable activities	<u>25,751,758</u>	<u>2,424,700</u>	<u>28,176,458</u>	<u>25,089,861</u>
Total per the Statement of Financial Activities	<u>25,915,093</u>	<u>2,473,481</u>	<u>28,388,574</u>	<u>25,258,373</u>

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 £2,473,481 (2022 £2,331,816) 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 £109,461 (2022 £83,840) have been included in Support Costs.

d) Costs relating to the Defined Pension Scheme

The costs relating to the Defined Pension Scheme are administrative expenses incurred during the year which were met from Scheme assets.

4. INVESTMENT INCOME

	2023	2022
	£	£
Bank and other Interest	44,637	19,002
Rental Income	199,037	190,360
	243,674	209,362

5. DONATIONS AND LEGACIES

	2023	2022
	£	£
Donations received	465,561	360,550
Legacies	500,734	136,660
	966,295	497,210

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	533,948	599,560	4,063,705	14,754,489
Additions	-	-	-	569,879	569,879
Transfers	(887)	333,216	-	(332,329)	-
At end of year	9,556,389	867,164	599,560	4,301,255	15,324,368

Depreciation

At beginning of year	3,640,386	233,593	543,015	2,250,840	6,667,834
Provided for year	213,536	75,819	35,697	196,569	521,621
Transfers	(89)	32,548	-	(32,459)	-
At end of year	3,853,833	341,960	578,712	2,414,950	7,189,455

Net Book Value

At 31 March 2023	5,702,556	525,204	20,848	1,886,305	8,134,913
At 1 April 2022	5,916,890	300,355	56,545	1,812,865	8,068,655

The carrying amount of land & buildings comprises:	2023	2022
	£	£
Investment property at fair value:		
Long leaseholds	885,000	885,000
Other properties at cost:		
Long leaseholds	128,609	171,479
Freeholds	4,688,947	4,860,412
	5,702,556	5,916,891

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 £278,000 (2022 £277,390).

c) Assets held under hire purchase contracts

The net book value of assets includes amounts of £nil (2022 £12,043) in respect of assets held under hire purchase contracts. The depreciation charge for the year on these assets was £12,043 (2022 £35,816).

7. DEBTORS

	2023	2022
	£	£
Fees and grants due	2,601,959	3,063,820
Other debtors	1,349	5,582
Prepayments and accrued income	803,929	1,068,544
	3,407,237	4,137,947

8. LIABILITIES

a) Creditors: amounts falling due within one year	2023	2022
	£	£
Trade creditors	463,960	460,649
Social Security costs and other taxes	326,992	355,746
Accruals and deferred income	992,442	2,426,209
Other creditors and provisions	2,342,984	1,801,118
	4,126,378	5,043,722
Hire purchase instalments	21,386	33,259
	4,147,763	5,076,981
b) Deferred Income	£	
Balance as at 1 April 2022	3,012,459	
Amounts released to income earned from charitable activities	(3,012,459)	
Amount deferred in year	-	
Balance as at 31 March 2023	-	

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. FUNDS

a) Statement of Funds

As at 31 March 2023	Balance 31 Mar 22 £	Incoming Resources £	Outgoing Resources £	Transfers £	Gains / (Losses) £	Balance 31 Mar 23 £
Restricted Funds	766,333	3,478,853	(3,759,682)	-	-	485,503
Unrestricted Funds						
Designated						
Capital Reserve	4,868,850	-	(205,408)	-	-	4,663,442
Other Funds	438,007	-	-	-	-	438,007
	5,306,857	-	(205,408)	-	-	5,101,449
Revaluation Reserve						
General	110,000	-	-	-	-	110,000
	8,408,230	24,635,073	(23,474,389)	-	(650,000)	9,269,000
TOTAL UNRESTRICTED	13,825,088	24,635,073	(23,679,797)	-	(650,000)	14,481,269
TOTAL FUNDS	14,591,421	28,113,926	(27,439,479)	-	(650,000)	14,966,772
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						
General	110,000	-	-	-	-	110,000
	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

b) Restricted Funds

Restricted funds as at 31 March 2023 comprises	2023	2022
	£	£
Operating income earmarked for expenditure	-	88,342
Other restricted funds	836,409	677,991
	836,409	766,333

Operating income earmarked for expenditure represents income received for specific services and projects. Other restricted funds are made up of 36 individual funds and represent income received from funders with a specific use identified.

c) Designated Funds

Designated funds comprise £4,663,442 of capital reserve, which reflects the book value of certain buildings and is reduced over the life of the asset in line with its depreciation and £438,007 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 2023

	Unrestricted	Restricted	Total
	£	£	£
Fixed Assets	8,134,913	-	8,134,913
Current Assets	10,143,213	836,409	10,979,622
Current Liabilities	(4,147,763)	-	(4,147,763)
Long Term Liabilities	-	-	-
	14,130,363	836,409	14,966,772

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

10. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of new income to net cash flow from operating activities

	2023	2022
	£	£
Net Income for the reporting period as per Statement of Financial Activities	(274,647)	849,396
Adjustments for:		
Depreciation charges	521,621	517,167
Pension Fund adjustments	650,000	(324,000)
Dividends, interest and rents from investments	(243,674)	(209,362)
Hire Purchase interest paid	-	3,116
Loss on the sale of fixed assets	-	28,366
Decrease in debtors	730,709	1,513,117
(Decrease) in creditors	(917,344)	(2,364,485)
	466,665	13,315

Changes in net debt	As at 1 April 2022	Cashflows	As at 31 March 2023
	£	£	£
Cash	7,443,801	128,584	7,572,385
Hire purchase liability	(33,259)	11,874	(21,385)
	7,410,542	140,458	7,551,000

	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)	16,962	(33,259)
	7,745,425	(334,884)	7,410,542

11. CONTRACTED COMMITMENTS

a) Capital Commitments

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

	2023	2022
	£	£
Capital	234,552	11,029
	234,552	11,029

b) Operating lease commitments

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

	2023	2022
	£	£
Within one year	350,720	352,074
Between one and five years	693,782	690,187
After five years	2,169,505	2,258,705
	3,214,007	3,300,966

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:

	2023	2022
	£	£
Within one year	146,779	178,642
Between one and five years	351,957	520,000
	498,736	698,642

12. FINANCIAL INSTRUMENTS

	2023	2022
	£	£
Carrying amount of financial assets		
Financial assets measured at fair value	885,000	885,000

Financial assets measured at fair value represent investment property.

13. 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 £101,064 (2022 £101,382). 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. An 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 2023	31 March 2022	31 March 2021
	£'000	£'000	£'000
Fair value of plan assets	16,168	27,657	28,368
Present value of defined benefit obligation	14,997	19,974	22,397
Surplus/(deficit) in plan	1,171	7,683	5,971
Unrecognised surplus	1,171	7,683	5,971
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 2023	31 March 2022
	£'000	£'000
Defined benefit obligation at start of the period	19,974	22,397
Current service cost	-	-
Expenses	-	-
Interest expense	544	450
Contributions by plan participants	-	-
Actuarial losses/(gains)	(4,429)	(1,939)
Benefits paid and expenses	(1,092)	(934)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Loss/(gain) on settlements	-	-
Loss/(gain) due to benefit changes	-	-
Defined benefit obligation at end of period	14,997	19,974

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

	31 March 2023 £'000	31 March 2022 £'000
Fair value of plan assets at start of the period	27,657	28,368
Interest income	750	576
Actuarial gains/(losses)	(10,497)	(716)
Contributions by Capability Scotland	-	363
Contributions by plan participants	-	-
Benefits paid and expenses	(1,742)	(934)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Fair value of plan assets at end of period	16,168	27,657

The actuarial return on the plan assets over the period ended 31 March 2022 was (£9,747,000).

	31 March 2023 £'000	31 March 2022 £'000
Defined benefit costs recognised in profit and loss account	650	-

Defined benefit costs recognised in other comprehensive income

	31 March 2023 £'000	31 March 2022 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(10,497)	(716)
Experience gain/(loss) arising on plan liabilities	(604)	406
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – loss/(gain)	5,033	1,533
Effects of changes in the amount of surplus not recoverable (excluding amounts included in net interest cost) – gain/(loss)	6,718	(1,586)
Total amount recognised in other comprehensive income – loss/(gain)	650	(363)

Assets

	31 March 2023 £'000	31 March 2022 £'000	31 March 2021 £'000
Overseas equities	-	-	-
Corporate bonds	-	27,461	8,711
Government bonds	-	-	-
Diversified growth funds	-	-	11,600
Property	-	-	3,078
Cash	1,354	164	471
Insured pensioners	14,814	32	55
Liability-driven investments	-	-	4,453
Total Assets	16,168	27,657	28,368

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 2023 % p.a.	31 March 2022 % p.a.	31 March 2021 % p.a.
Discount rate	4.90	2.80	2.05
Inflation (RPI)	3.30	3.90	3.35
Inflation (CPI)	2.90	3.40	2.85
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	3.00	3.40	3.00
Allowance for revaluation payment increases of RPI or 5% p.a. if less	3.10	3.70	3.25
Allowance for revaluation payment increases of RPI or 5% p.a. if less	2.20	2.55	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 2023 imply the following life expectancies:

	Life expectancy at age 60 (years)
Male retiring in 2021	25.5
Female retiring in 2021	27.5
Male retiring in 2041	27.1
Female retiring in 2041	29.1

The best estimate of contributions to be paid by Capability Scotland to the plan for the period commencing 1 April 2023 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 5.0%/ increase by 5.5%
Rate of inflation	Increase/decrease of 0.5%	Increase by 2.4%/ decrease by 2.4%
Rate of mortality	1-year life expectancy increase	Increase by 3.2%



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

For the year ended 31 March 2023

		2023			2022		
		Unrestricted Funds £	Restricted Funds £	Total Funds £	Unrestricted Funds £	Restricted Funds £	Total Funds £
Income From:							
Donations and Legacies	5	695,550	270,745	966,295	349,017	148,193	497,210
Charitable Activities	2	23,695,849	3,208,109	26,903,958	22,136,716	3,264,481	25,401,197
Other Trading Activities:							
Investments	4	243,674	-	243,674	209,362	-	209,362
Total		24,635,073	3,478,854	28,113,927	22,695,095	3,412,674	26,107,769
Expenditure On:							
Raising Funds	3	212,116	-	212,116	168,512	-	168,512
Charitable Activities	3	24,767,681	3,408,777	28,176,458	21,706,596	3,383,265	25,089,861
Total		24,979,797	3,408,777	28,388,574	21,875,108	3,383,265	25,258,373
Net Income/(Expenditure)		(344,724)	70,077	(274,647)	819,987	29,409	849,396
Other recognised gains/(losses)							
Actuarial gains on defined benefit pension scheme	13	650,000	-	(650,000)	(324,000)	-	(324,000)
Net Movement in Funds		305,276	70,077	375,353	495,987	29,409	525,396
Reconciliation of Funds:							
Funds brought forward at 1 Apr 2022		13,825,088	766,333	14,591,421	13,329,101	736,924	14,066,025
Funds carried forward at 31 March 2023		14,130,363	836,409	14,966,772	13,825,088	766,333	14,591,421

All of the above are derived from continuing activities.

The net income for 2022/23 before actuarial gains on the defined benefit pension scheme is £375,353 (2021/22 £525,396).

The notes on page 31 to 50 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	Blackmount Private Wealth
Lord Armistead's Dundee Trust	Jean S Innes Charitable Trust
The B&Q Foundation	The JTH Charitable Trust
W A Cargill Fund	The Andrew & Mary Elizabeth Little Charitable Trust
Miss R E Duncan's Charitable Trust	The R S Macdonald Charitable Trust
Food for Thought Education Fund	The Meikle Foundation
W G Forsyth Fund	NHS Tayside Innovation Fund
The Gamma Trust	The Northwood Charitable Trust
William Gibson's Trust	St James Place Foundation
Glebefoot Charitable Trust	Davis Rubens Charitable Trust
William Grant Foundation	Talteg Ltd
The Hinshelwood Gibson Trust	The Templeton Goodwill Trust



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