



Scottish Council for Voluntary Organisations (SCVO)

# Report and Financial Statements

Year ended 31 March 2020

Charity No: SC003558



**SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)**

**FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

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**ANNUAL REPORT - FOREWORD**

2019/20 has been a successful year for SCVO. We have evolved our services, embarked on a culture change programme, and started a root and branch review of our membership offer.

Over the coming year we will continue to implement our Strategic Plan 2019-22, but cannot ignore the fact that, as the year covered by this report was coming to an end, the world was struck by the coronavirus pandemic. This has hit SCVO as it has every other organisation and we are reviewing our priorities and activities in response to the changing environment, building on sound foundations.

Our excellent IT infrastructure and collective expertise enabled us to move seamlessly to remote working across the whole organisation in a matter of days, keeping our core services running. We have also been able to rapidly set up a new grant management system to distribute £50m of Scottish Government crisis funding out to the sector, working collectively with key partners with unprecedented agility.

SCVO's Coronavirus Information Hub quickly became the go-to source of information and resources for the voluntary sector in Scotland, and our regular communications channels including Third Force News have a renewed online vigour.

Despite working closely with Scottish Government on several initiatives, we have continued to challenge on issues of importance to our members such as sustainable funding and parity of esteem for the voluntary sector alongside the public and private sectors.

We have worked on digital capacity building and inclusion for several years, and this has provided a solid foundation to build on as the whole sector has had to pivot to online working. We have been offering an expanding range of digital and IT support to existing clients and a much wider cohort of people and organisations for whom this way of working is new.

Our own income and activities have been significantly challenged and we are urgently considering how we adapt and flex operationally, and find alternative sources of income. On a practical level, we are also working with the tenants in our four properties to look at the transition from lockdown back into an office environment.

Things will be different, and we are determined to maximise the learning from this experience to make sure our offer to members and the wider sector is even better than before.



Andrew Burns  
Convenor

## **SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)**

### **TRUSTEES ANNUAL REPORT (incorporating the Strategic Report) YEAR ENDED 31 MARCH 2020**

The Trustees present the annual report together with the audited financial statements for the year ending 31 March 2020.

#### **ORGANISATION**

The Scottish Council for Voluntary Organisations (SCVO) is a Scottish Charitable Incorporated Organisation recognised by the Scottish Charity Regulator (OSCR), registration number SC003558. It is governed by its constitution which was adopted on 3 July 2014 (updated 4 December 2019).

#### **OBJECTIVES**

SCVO is the national membership body for Scotland's voluntary sector. We are passionate about what the voluntary sector can achieve. Along with our 2,000+ members, we believe that charities, social enterprises, and voluntary groups make Scotland a better place.

We champion the sector, provide services, and debate big issues.

We are committed to supporting Scotland's voluntary sector to achieve its ambitions.

#### **ACTIVITIES AND ACHIEVEMENTS**

Our activities for the period of this report were delivered against the three strategic themes from our Strategic Plan 2019-22: support, promote and develop.

All activity has been delivered against the backdrop of significant internal organisational change at SCVO including:

- implementing a new organisational structure to deliver our Strategic Plan 2019-22
- rolling out a culture change programme with a focus on adopting an organisation-wide coaching approach, empowering staff to fulfil their potential
- kick-starting an ongoing review of our membership offer to make sure it is valued and valuable
- progressing a comprehensive brand refresh to make SCVO easier to understand and engage with, so our members and the wider sector can benefit from as much of what we offer as possible
- continuing to model the values of a responsible voluntary sector employer:
  - recognised as a Carer Positive employer in 2019
  - shortlisted for a Family Friendly Working Scotland award in March 2020

**TRUSTEES ANNUAL REPORT (continued)**

- our gender pay gap in March 2020 was 3.2% (the average voluntary sector pay gap was around 8% in 2018/2019)
- investing time and expertise in our digital journey, including embedding a sophisticated CRM system as the backbone to SCVO activities and operations and moving staff to mobile technology to enable greater flexibility in working practices.

All this has set the scene for the following achievements.

Our activities to **SUPPORT** a confident, sustainable voluntary sector in Scotland this year included:

- providing information – online, by email and by phone - on how to set up and run voluntary organisations, including tailored responses to around 2,000 complex enquiries
- developing practical resources such as the ‘Good Governance Check-Up’ and ‘Good Governance and Safeguarding Guide’ to help organisations review and improve their governance
- redeveloping our online funding search, fundingscotland.com, to add premium features that allow approved users access to a range of tools to help manage their funding information. We also responded to over 500 enquiries about the service
- delivering over 60 courses to more than 700 learners – providing a platform for colleagues in the voluntary sector to gain new skills, refresh existing skills and be supported in their learning
- co-ordinating a new Scotland-wide network of Digital Champions in the social housing sector, training 31 Digital Motivators in 29 Housing Associations, and 264 frontline staff to support people living in social housing and who are 20% less likely to have essential digital skills
- creating and filling 548 jobs to help young unemployed people into work through our Community Jobs Scotland programme
- advertising 3,679 jobs for 1,086 organisations on our recruitment website, godmoves.com, and connecting 75,000 users with job opportunities every month
- processing payroll for 437 organisations and their 6,600 employees - the equivalent of almost 80,000 payslips, over 60% of which are now delivered online
- modernising our shared office space in Edinburgh with plans for the other offices in the coming years to improve the working environment for the 48 organisations and their 200+ staff that we host in our four hubs in Edinburgh, Glasgow, and Inverness
- expanding our portfolio to 49 managed IT clients, and working in partnership with them to improve the efficiency and reliability of their IT systems

**TRUSTEES ANNUAL REPORT (continued)**

- administering a range of funds:
  - the Community Capacity & Resilience Fund supported 72 organisations to deliver frontline services to individuals to help them combat the impact of welfare reform, poverty, and social inequalities
  - the CATS Fund (Carers Act Transformation Support) provided grants to 24 organisations who provide support and services to unpaid carers to enable them to add capacity via systems and technology to support the implementation of the Carers (Scotland) Act
  - the Digital Participation Charter Fund funded 19 organisations running projects that should reach 3,300 people to help build their digital skills and confidence to be online.

Our activities to **PROMOTE** a confident, sustainable voluntary sector in Scotland this year included:

- welcoming 3,000 attendees and 139 exhibitors to our flagship annual engagement event, The Gathering
- attracting 185 award entries for the Scottish Charity Awards 2019 and a record-breaking 34,000 votes for the People’s Choice Award. As well as attending the awards dinner, the finalists were recognised at a reception hosted by the First Minister at Edinburgh Castle
- reaching even more people through Third Force News (TFN), our news website and monthly magazine for and about the voluntary sector. Website views increased by 13,000 over the year, and we ended the year with more subscribers to our ebulletins than ever before
- writing and publishing ‘Charities, Scotland and Holyrood: 20 years delivering change’, a book celebrating 20 years of the voluntary sector working with – while also being prepared to challenge, debate, persuade and influence – the Scottish Parliament
- co-hosting a cross-sector conference with Scottish Power, Keep Scotland Beautiful and the University of Strathclyde to build new partnerships and relationships between businesses, voluntary organisations, and public bodies around the UN Sustainable Development Goals
- securing amendment to legislation on Scottish National Investment Bank so that voluntary organisations are eligible to apply
- working with SCVO’s Policy Forum to develop a Manifesto for the Future with recommendations to address some of the most profound social, economic, political and environmental changes in living memory, and identifying planet, humanity and citizenship as three pillars of significant importance.

## TRUSTEES ANNUAL REPORT (continued)

Our activities to **DEVELOP** a confident, sustainable voluntary sector in Scotland this year included:

- launching an online Digital Check-Up tool for organisations to assess their own digital maturity and plan next steps
- working with Scottish Government and Third Sector Interfaces to deliver an improved digital solution for the Saltire Awards
- launching the Positive Partnerships guidance that we jointly developed with the Scottish Government Third Sector Unit and Evaluation Support Scotland, setting out how the funder/funded relationship should work
- refreshing our Intermediaries' network to provide a collaborative space for intermediary organisations to share good practice and learning, to the benefit of our members across the voluntary sector and to improve our own performance as an intermediary
- publishing research reports identifying trends across the voluntary sector on issues including funding/finance; salaries and gender pay gap
- partnering in two innovative European-funded projects:
  - Mpower – establishing a cross-border service for older people living with long-term conditions across Republic of Ireland, Northern Ireland, and Scotland. Supporting people to live well, safely, and independently in their own homes by self-managing their own health and care in the community
  - SCOPE (Skills recognition, Capacity building and Professional Education for the third sector) – developing an innovative e-learning platform for small voluntary sector organisations covering the basics of governance, finance, fundraising, communications, and risk management.

## CHALLENGES

We accomplished the majority of what we set out to do during the year, but inevitably some things did not go as well as we hoped, notably:

- European Structural Funds (ESF) continue to be a challenge for SCVO and the wider voluntary sector. We have continued to support partners to deliver work funded by ESF and continued to challenge Scottish Government on its approach
- there was very low uptake of the third round of the CATS Fund (Carers Act Transformation Support). We have been working to understand why so we can learn from this
- following Scottish Government and COSLA's implementation plan for No One Left Behind, we had to progress the Community Job Scotland (CJS) Phase 7 and 8 jobs, along with the Phase 9 starts, from a single reduced 2019/20 budget. This resulted in a more

**TRUSTEES ANNUAL REPORT (continued)**

structured and stricter approach for the Phase 9 starts, which was challenging for everyone involved

- more recently we have been faced with numerous challenges as the coronavirus pandemic gathered pace. While we have noted many successes in adapting to the rapidly changing environment, there has been a need to change plans and priorities from those set out at the start of the year.

**FINANCIAL REVIEW**

Turnover for 2019/20 is up 4.6% on the previous year to £16,195,698. Income comes from a mix of sources; trading such as Goodmoves, Payroll Services and Property Services; grant funded programmes from Scottish Government, The National Lottery Community Fund, and others. We receive a mix of unrestricted and restricted income, all of which is directed to fulfilling SCVO's strategic objectives.

Included in expenditure of £14,352,842 is £7,985,081 (2019: £8,578,792) of onward funding that was passed directly to voluntary sector organisations.

This year we made a surplus of £1,842,856 (2019: £418,962). Unrestricted activities account for £2,102,095 (2019: £169,192) of this, which includes a one-off gain of £1,290,794 on the disposal of Hayweight House. Otherwise underlying performance for key trading activities remains good. There is a restricted deficit of £259,239 (2019: £249,770).

Tangible fixed assets of £5,599,173 (2019: £7,170,387) primarily consist of properties, which were financed by £2,267,640 (2019: £3,535,880) of bank loans. Net current assets were £2,160,271 (2019: £462,106), of which £2,509,290 (2019: £518,819) was available as general funds as shown in note 17.

Total unrestricted funds were £1,907,164 (2019 deficit: £194,931). This includes the long-term creditor for the pension recovery plan of £2,239,079 (2019: £2,704,516). The pension obligation is down due to an improvement in scheme funding as at 30<sup>th</sup> September 2017 which has resulted in reduced recovery payment obligations from 1<sup>st</sup> April 2019. Details of pension obligations can be found in note 19.

Funds employed stand at £3,173,140 (2019: £1,330,284) of which £1,265,976 (2019: £1,525,215) is of a restricted nature. The trustees in considering their ongoing commitments have designated in total £416,055 (2019: £277,930) as detailed in note 14 to the financial statements.

Designated funds have been established to:

- avoid the necessity of realising fixed assets held for the charity's use or selling investments at an inappropriate state of the market
- equate to the unrealised appreciation of the value of its investments
- equate to tangible assets, other than property, required by SCVO to run its operations.

## TRUSTEES ANNUAL REPORT (continued)

### GRANT-MAKING

SCVO has in the past year obtained grants from Government and other funders for the purpose of providing onward grants to voluntary sector organisations. The grant-making policy for these onward grants is determined by the body providing the grant funding.

### RESERVES

The trustees regularly review reserves, using the Reserves Policy to support both the Financial Strategy and the Strategic Plan. We use a risk-based approach to calculate an optimal amount of reserves that looks at reliability of income, costs for re-organisation of activities and specific liabilities. We also include amounts for risks we are aware of as well as contingencies to allow us to cope with unexpected costs and opportunities. We principally hold reserves to:

- protect the continuity of our work against uncertain future income streams
- provide the capital needed to finance investment in operations
- provide funds to replace assets
- to cover for specific liabilities and identifiable risks
- to allow us to respond to unexpected opportunities that can further our mission
- to allow us to meet contractual obligations.

The trustees have set optimal reserves at £2,270,062 (2019: £2,172,464) which equates to approximately four months expenditure. As at 31 March 2020, the level of Free Reserves (defined as total general unrestricted funds, less tangible assets and excluding defined benefit pension obligations and long-term commitments) stands in excess of optimal reserves at £2,509,278 (2019: £518,819).

During 2019/20 Free Reserves were bolstered by disposal proceeds from the sale of Hayweight House along with a legacy received from the estate of William Dunlop, a former trustee of SCVO. The impact of Covid-19 on income during 2020/21 will necessitate drawing from reserves and the trustee are anticipating that Free Reserves will be below optimal reserves by the end of the 2020/21 financial year. As part of the Strategic Resources Committees work, reserves and the reserves policy were reviewed in May 2020 and are under scrutiny by the committee as part of its monitoring of the impact of coronavirus on SCVO's income.

SCVO has designated reserves of £416,055 (2019: £277,930) and restricted reserves of £1,265,976 (2019: £1,525,215). The designated reserves are held to represent reserves that are not available for other activities since they have been used to purchase fixed assets and are not available unless the assets are disposed. Restricted reserves relate to income to be used in accordance with specific restrictions imposed by funders and therefore do not form part of general reserves.

The Reserves Policy is reviewed quarterly as part of our internal financial control systems.

**TRUSTEES ANNUAL REPORT (continued)**

**RISK MANAGEMENT**

SCVO is not a risk averse organisation. It recognises that to stay in the forefront of representing the sector's interests and developing services, calculated risks will need to be taken. The overall level of risk accepted may, if the risks materialise, lead to significant change and disruption in the organisation but should not place the organisation as a whole in jeopardy. The level of risk acceptable is considered against the benefit to the sector. High risk activities with little direct benefit to the sector are not to be undertaken even if there is a possibility of significant amounts of income generation.

SCVO operates a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks faced, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risk. Three key risks identified by the Trustees are:

**Maintaining enough income** - to maintain generation of unrestricted income SCVO is pursuing an asset-backed income strategy and investment in its services, development and project work, while also looking to diversify income sources to reduce dependence on any single stream of money.

**Reputational risk** – to mitigate reputational risk SCVO invests in staff training, risk appraisal and evaluation. We also have systems in place to respond quickly to reputational risks that might arise.

**Scottish Voluntary Sector Pension Scheme obligations** - this is a difficult risk to mitigate due to the high cost of exiting SCVO's defined benefit obligations. To mitigate this risk SCVO engaged in a managed transfer exercise, the first part of which was completed in 2016/17. It mitigated some of the risk out of the scheme and along with a second phase in April 2017 reduced liabilities by approximately 18%. This risk mitigation exercise is a long-term strategy that will be built on if/when funding becomes available.

**PLANS FOR THE FUTURE**

SCVO's three-year strategic plan covering 2019-22 will continue to guide our overall direction. However, the fallout from the coronavirus pandemic and the emerging needs of the voluntary sector in the aftermath will undoubtedly influence how we deliver against our strategy, and evolve.

Anticipated activity in the next year includes:

- influencing the operating environment for Scottish voluntary organisations, with a particular focus on mitigating the impacts and challenges of coronavirus
- collating and sharing insight about the impact of coronavirus on the voluntary sector to influence emerging recovery and renewal strategies

### TRUSTEES ANNUAL REPORT (continued)

- providing new and innovative information and learning opportunities to support the voluntary sector with their immediate and emerging needs
- delivering the Connecting Scotland programme to offer an internet connection, training and support, and a laptop or tablet to vulnerable people who are not already online
- claiming hundreds of thousands of pounds from HMRC's Job Retention Scheme on behalf of our Payroll Service clients who have furloughed employees
- working closely with Scottish Government, partners, and employers to ensure that the voluntary sector has a prominent place in the emerging employability landscape
- completing the review of our membership offer and launching a new, improved membership package.

### STRUCTURE, GOVERNANCE AND MANAGEMENT

#### Board of Trustees

SCVO is governed by a Board of up to eleven trustees, six of whom are elected from member nominations, with five co-options to bring in additional skills and knowledge. Trustee training is available on an as-required basis in addition to induction training for new trustees. Development sessions to enhance trustees' knowledge of service areas have been organised throughout the year, and trustees have begun working through the Scottish Governance Code check-up to ensure SCVO complies with it, as we expect of our members.

#### Subcommittees

The Board has two subcommittees.

**The Strategic Resources Committee** is set up to give detailed scrutiny to funding, risk and control systems including, health and safety, human resources, property, ICT, and regulatory compliance. It reports directly to the Board, and over the year has worked on scrutinising and developing risk identification, reviewing our Cyber Security, GDPR controls, property strategy, financial regulations, financial strategy, and defined benefit pension obligations. It has also directed on Brexit contingency planning alongside examining internal and external controls and developing the relationship between operational planning and budgeting.

**The Strategic Development Committee** was set up during 2019/20 to support the Board of Trustees in evaluating the implementation of our Strategic Plan and other matters related to strategic direction and business development. In particular, the committee has responsibility to review progress and advise on the review of membership and strategy to grow membership, review evaluation of the implementation of the new organisational strategy and impact measurement, and to review reports to monitor progress against SCVO's strategic objectives. The committee will also explore new opportunities and over the year has been reviewing our approach to business development.

**TRUSTEES ANNUAL REPORT (continued)**

**Senior Leadership Team**

Day to day operation of SCVO is delegated to the Chief Executive and the senior leadership team. SCVO's current Chief Executive is Anna Fowlie. SCVO has a pay grading structure that covers all staff. Annual cost of living awards are made at the same rate across all pay grades.

**CONTROLS**

The Board of Trustees is the ultimate governing body of SCVO and is responsible for the organisation's system of internal financial controls. The system of controls aims to give the Board reasonable (but not total) assurance that issues are identified as they arise and are dealt with appropriately in an effective, timely manner.

The three main objectives of the control system are:

- to ensure that the SCVO continues to maintain proper accounting records
- to safeguard the organisation's assets from unauthorised disposal or use
- to ensure the integrity and reliability of financial and operational information used for decision making within the organisation and for external publication.

SCVO's internal controls include:

- a strategic plan and an annual budget approved by the Trustees
- regular consideration by the Trustees of financial results, variance from budgets, non-financial and performance indicators, including regular updates from the evaluation framework
- delegation of authority and segregation of duties
- identification and management of risks.

**AUDITOR**

It is the Trustees' assessment that all necessary steps have been taken to ensure that the auditor has been made aware of all relevant audit information and as such there is no relevant audit information which the auditor has not been made aware of.

The appointed auditor Scott-Moncrieff tendered their resignation and were replaced by Azets Audit Services who will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

The Trustees would like to thank staff, members, and supporters of SCVO for all that has been achieved in a year that has seen some challenges and significant changes.

Approved on behalf of the Board of Trustees



**Andrew Burns (Convener)**

Date: 7<sup>th</sup> October 2020

## SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

### LEGAL AND ADMINISTRATIVE INFORMATION

#### Trustees

The trustees during the year and their date of election were as follows:

|                                 |   |
|---------------------------------|---|
| Eliot Stark                     | Elected: 8 December 2016, resigned: 4 December 2019 |
| Michelle Carruthers             | Elected: 8 December 2016, resigned: 4 December 2019 |
| Theresa Shearer (Vice Convener) | Appointed: 4 December 2019                          |
| Rebecca Duff                    | Elected: 8 December 2016                            |
| Adam Lang E                     | Elected: 8 December 2017                            |
| Sean Duffy                      | Co-opted: 25 July 2018                              |
| Fiona Gillespie (Treasurer)     | Co-opted: 25 July 2018                              |
| Kenneth Pinkerton               | Co-opted: 25 July 2018                              |
| Andrew Burns (Convener)         | Appointed: 11 January 2018                          |
| Brook Marshall                  | Elected: 22 November 2018                           |
| James Adams                     | Elected: 4 December 2019                            |
| Manish Joshi                    | Elected: 4 December 2019                            |
| Pauline Lunn                    | Elected: 4 December 2019                            |

#### Key Management Team

|                                 |                                  |
|---------------------------------|----------------------------------|
| Chief Executive                 | Anna Fowlie                      |
| Strategic Director of Delivery  | Tim Hencher                      |
| Strategic Director of Services  | David McNeill                    |
| Director of Corporate Affairs   | John Downie (left 09/08/2019)    |
| Director of Employment Services | Donna McKinnon (left 20/08/2019) |

#### Registered Office

Mansfield Traquair Centre  
15 Mansfield Place, Edinburgh, EH3 6BB

#### Bankers

SCVO's main bank accounts are held at:  
The Royal Bank of Scotland plc  
36 St. Andrew Square, Edinburgh, EH2 2AD

#### Auditor

Azets Audit Services  
Exchange Place 3, Semple Street, Edinburgh, EH3 8BL

#### Charity Registration Number

SC003558

## TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under charity law the Trustees are required to prepare financial statements that give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity 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 of the charities SORP
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Account (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS**

**Opinion**

We have audited the financial statements of Scottish Council for Voluntary Organisations for the year ended 31 March 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the 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 Financial Reporting Standard 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 charity's affairs as at 31 March 2020 and of its income and expenditure for the year then ended have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Basis for 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 charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our 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 audit opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (continued)**

**Other information**

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

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

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of the trustees**

As explained more fully in the trustees' responsibilities statement set out on page 13, the trustees 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 charity'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 charity or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (continued)**

**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 report in accordance with the Act 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

**Use of our report**

This report is made solely to the charity's trustees, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the charity's trustees, as a body, 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 and the charity's trustees, as a body, for our audit work, for this report, or for the opinions we have formed.



**Azets Audit Services**

*Statutory Auditor*

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

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

Date: 7<sup>th</sup> October 2020

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

**STATEMENT OF FINANCIAL ACTIVITIES  
YEAR ENDED 31 MARCH 2020**

|  |       | Unrestricted<br>Funds | Restricted<br>Funds | Total<br>Funds<br>2020 | Unrestricted<br>Funds | Restricted<br>Funds | Total<br>Funds<br>2019 |
|--|-------|-----------------------|---------------------|------------------------|-----------------------|---------------------|------------------------|
|  | Notes | £                     | £                   | £                      | £                     | £                   | £                      |
| <b>Income from:</b>                                  |       |                       |                     |                        |                       |                     |                        |
| Donations and legacies                               |       | 1,671,840             | -                   | 1,671,840              | 1,103,923             | -                   | 1,103,923              |
| Charitable activities                                |       | 12,826,496            | 1,689,060           | 14,515,556             | 10,506,618            | 3,855,258           | 14,361,876             |
| Investments  |       | 8,302                 | -                   | 8,302                  | 5,721                 | -                   | 5,721                  |
| <b>Total</b>   | 3     | <u>14,506,638</u>     | <u>1,689,060</u>    | <u>16,195,698</u>      | <u>11,616,262</u>     | <u>3,855,258</u>    | <u>15,471,520</u>      |
| <b>Expenditure on:</b>                               |       |                       |                     |                        |                       |                     |                        |
| Charitable activities:                               |       |                       |                     |                        |                       |                     |                        |
| Services to the sector                               |       | 4,214,941             | 354,402             | 4,569,343              | 4,178,381             | 626,318             | 4,804,699              |
| Development and capacity<br>building                 |       | 2,177,517             | 1,592,910           | 3,770,427              | 445,368               | 2,979,170           | 3,424,538              |
| Employment initiatives                               |       | 6,012,085             | 987                 | 6,013,072              | 6,823,321             | -                   | 6,823,321              |
| <b>Total</b>   | 4     | <u>12,404,543</u>     | <u>1,948,299</u>    | <u>14,352,842</u>      | <u>11,447,070</u>     | <u>3,605,488</u>    | <u>15,052,558</u>      |
| <b>Net income</b>                                    | 7     | <u>2,102,095</u>      | <u>(259,239)</u>    | <u>1,842,856</u>       | <u>169,192</u>        | <u>249,770</u>      | <u>418,962</u>         |
| <b>Fund balances brought<br/>forward at 1 April</b>  |       | <u>(194,931)</u>      | <u>1,525,215</u>    | <u>1,330,284</u>       | <u>(364,123)</u>      | <u>1,275,445</u>    | <u>911,322</u>         |
| <b>Fund balances carried<br/>forward at 31 March</b> | 17    | <u>1,907,164</u>      | <u>1,265,976</u>    | <u>3,173,140</u>       | <u>(194,931)</u>      | <u>1,525,215</u>    | <u>1,330,284</u>       |

All amounts relate to continuing activities.

The notes on pages 20 to 42 form part of these financial statements

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

**BALANCE SHEET AS AT 31 MARCH 2020**

|  | Note | 2020<br>£          | 2019<br>£          |
|--|------|--------------------|--------------------|
| <b>Fixed Assets</b>  |      |                    |                    |
| Tangible assets  | 9    | 5,599,174          | 7,170,387          |
| <b>Current Assets</b>  |      |                    |                    |
| Debtors  | 10   | 2,116,158          | 1,706,744          |
| Cash at bank and in hand                                       |      | 3,200,883          | 2,091,384          |
|  |      | <u>5,317,041</u>   | <u>3,798,128</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 11   | <u>(3,156,770)</u> | <u>(3,336,022)</u> |
| <b>Net current assets</b>                                      |      | <u>2,160,271</u>   | <u>462,106</u>     |
| <b>Total assets less current liabilities</b>                   |      | <u>7,759,445</u>   | <u>7,632,493</u>   |
| <b>Creditors: amounts falling due after more than one year</b> | 12   | <u>(2,347,226)</u> | <u>(3,597,693)</u> |
| <b>Net assets excluding non-current pension liability</b>      |      | 5,412,219          | 4,034,800          |
| <b>Pension liability</b>                                       | 12   | (2,239,079)        | (2,704,516)        |
| <b>Total net assets</b>  |      | <u>3,173,140</u>   | <u>1,330,284</u>   |
| <b>Funds employed:</b>   |      |                    |                    |
| Restricted funds   | 13   | 1,265,976          | 1,525,215          |
| <b>Unrestricted funds</b>                                      |      |                    |                    |
| Designated funds   | 14   | 416,055            | 277,930            |
| Pension fund   | 15   | (2,638,904)        | (3,052,516)        |
| General funds  | 16   | 4,130,013          | 2,579,655          |
| <b>Total funds</b>   | 17   | <u>3,173,140</u>   | <u>1,330,284</u>   |

The financial statements were approved and authorised for issue by the board on 7<sup>th</sup> October 2020

Signed on behalf of the Board of Trustees



**Andrew Burns (Convener)**

The notes on pages 20 to 42 form part of these financial statements

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 MARCH 2020**

|   | 2020               | 2019               |
|---|--------------------|--------------------|
|   | £                  | £                  |
| <b>Cash flows from operating activities:</b>              |                    |                    |
| Net income for the year                                   | 1,842,856          | 418,962            |
| Adjustments for:  |                    |                    |
| Depreciation charges                                      | 257,337            | 261,794            |
| Dividends, interest, and rents from investments           | (8,302)            | (5,721)            |
| (Gain)/ loss on disposal of fixed assets                  | (1,290,794)        | 21,028             |
| (increase) in debtors                                     | (409,414)          | (660,677)          |
| (decrease) in creditors                                   | (605,566)          | (699,531)          |
| Interest paid   | 75,108             | 108,640            |
| <b>Net cash provided used in/ by operating activities</b> | <u>(138,775)</u>   | <u>(555,505)</u>   |
| <b>Cash flows from investing activities:</b>              |                    |                    |
| Dividends, interest, and rents from investments           | 8,302              | 5,721              |
| Purchase of property, plant, and equipment                | (295,330)          | (247,466)          |
| Proceeds from disposal of property, plant, and equipment  | 2,900,000          | -                  |
| <b>Net cash used in investing activities</b>              | <u>2,612,972</u>   | <u>(241,745)</u>   |
| <b>Cash flows from financing activities:</b>              |                    |                    |
| Repayments of borrowings                                  | (1,289,590)        | (141,697)          |
| Interest paid   | (75,108)           | (108,640)          |
| <b>Net cash used in financing activities</b>              | <u>(1,364,698)</u> | <u>(250,337)</u>   |
| <b>Changes in cash and cash equivalents in the year</b>   | <u>1,109,499</u>   | <u>(1,047,587)</u> |
| Cash and cash equivalents at the beginning of the year    | 2,091,384          | 3,138,971          |
| Cash and cash equivalents at the end of the year          | <u>3,200,883</u>   | <u>2,091,384</u>   |

The notes on pages 20 to 42 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**1. Accounting policies**

a) General Information

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charity's transactions are denominated. They comprise the financial statements of Scottish Council for Voluntary Organisations.

SCVO is a Scottish Charitable Incorporated Organisation (SCIO). It is recognised as a charity for tax purposes by HMRC and is registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC003558. The address of the registered office and charity registration number are given on page 12. The principal activities of the charity are discussed in the trustees' report.

b) Basis of Preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102") (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Scottish Council for Voluntary Organisations meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost unless otherwise stated in the relevant accounting policy.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The principal accounting policies applied in the preparation of these financial statements are noted below. These policies have been applied consistently to all the years presented in dealing with items which are considered material in relation to the charity's financial statements unless otherwise stated.

c) Going Concern

The Trustees have reviewed SCVO's financial position and consider that there are sufficient resources to manage any operational financial risks, and that it is reasonable to expect that SCVO will continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**1. Accounting Policies (continued)**

In mid-March 2020 SCVO reacted quickly and decisively to the growing Covid-19 pandemic with new ways of working, adapting to changing priorities, and taking on a key role in the distribution of Scottish Government grants to those in need. These are described in the foreword to the annual report.

To ensure control of finances and to assess the impact of Covid-19 on income and expenditure the finance department began a rigorous month to month programme of re-forecasting income and costs, with forecasts considered monthly by the Strategic Resources Committee and Board of Trustees. We have seen significant changes to forecast income for 2020/21 in the following areas:

- Goodmoves - recruitment activity dried up across all sectors in April 2020, leading to a very pessimistic initial reforecast in April. With a considerable upturn in June 2020 this forecast has improved but expect income to be a third less than originally forecast
- property - the Covid 19 pandemic has had a significant impact on property income. With social distancing restrictions in place we expect little to no activity in the Mansfield Traquair Centre event spaces before well in to 2021 and reduced office occupancy when our offices to re-open. Income generated from property will be substantially lower during 2020/21, as well as the following financial year, than it was last year. We are working in partnership with our tenants to plan for re-entry as and when permitted by Scottish Government guidelines
- other activities - SCVO responded quickly to the pandemic lockdown by undertaking new work on behalf of the Scottish Government, including Connecting Scotland, Community Wellbeing and Carers Remote Funding which have generated some income to offset shortfalls on other areas
- SCVO hosts the annual Charity Awards and The Gathering- social restrictions mean we will be unable to go ahead with these in the usual event format. The Charity Awards took place in September in a virtual format, and discussions are ongoing as to how we will deliver The Gathering.

We continue to focus on new income generating areas and synergies between existing streams. Central to this has been the development of a new HR service, which has been awarded funding from the National Lottery Communities Fund.

Total funds at 31<sup>st</sup> March 2020 were £3,173,140, of which £1,907,164 was unrestricted, bolstered by the sale of Hayweight House in June 2019 and a legacy of £576,145. This strong financial foundation and continued vigilance will enable us to continue and build on our support for Scottish voluntary organisations whilst allowing time to realign finances.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**1. Accounting Policies (continued)**

d) Income

Donations and Legacies - donations received in the year are charged to the Statement of Financial Activities when SCVO becomes entitled to the income, its receipt is probable, and the amount can be measured reliably. Donated goods and services are brought into the accounts as income at their expected cost, or a reasonable estimate thereof, with an equivalent amount reflected under expenditure when the SCVO has control over the item.

Charitable activities - SCVO charges for services as part of its charitable activities and income is recognised on a receivable basis. Such income is included within income from charitable activities.

Income from grants - where related to performance and specific deliverables, is accounted for as SCVO earns the right to consideration by its performance.

Investment income - interest and investment income is included within the Statement of Financial Activities when receivable by SCVO.

Where grants are received specifically to provide for a fixed asset the income is recognised in the Statement of Financial Activities in the year of receipt. An amount equal to the grant is transferred to a designated fund which is then reduced over the useful economic life in line with the depreciation charged.

e) Expenditure

Expenditure is included in the statement of financial activities on an accruals basis, inclusive of any VAT which cannot be recovered. Where costs cannot be directly attributed to activities, they have been allocated on a basis consistent with use of the resources.

Grant expenditure is recognised once the offer of grant has been accepted by the recipient.

f) Direct Costs

Direct costs are charged to the charitable activities and support costs have been allocated to all activities on the basis of the number of full-time equivalent staff working directly on an activity. Where a member of staff works on more than one activity the costs are allocated on the basis of time spent on each activity.

g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, cash on deposit where funds can be accessed without penalty within three months or less from the opening of the account.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**1. Accounting Policies (continued)**

h) Financial Instruments

SCVO only enters into basic financial instruments. Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any

impairment. Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

i) Holiday Pay Accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

j) Termination Benefits

Termination benefits are accrued by the charity when there is a constructive obligation to pay them. This is normally via a contractual, legislation or other agreement with employees or their representatives.

k) Tangible Fixed Assets and Depreciation

Fixed assets are initially recorded at cost. Freehold land is not depreciated. Assets in the course of construction are not depreciated until the asset is fully completed and ready for use. Depreciation is provided on all completed assets that are capitalised. It is charged on a straight-line basis over the expected life of the asset after taking into account the estimated residual value. The following lives are assumed:

- Computer equipment – 3 to 5 years
- Fixtures and fittings – 5 to 10 years
- Leasehold improvements – 20 years (or term of lease if less)
- Freehold buildings – 50 years

l) Funds

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes. Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements. Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**1. Accounting Policies (continued)**

m) Leases

Rentals payable under operating leases are charged in the statement of financial activities on a straight-line basis over the lease term. SCVO rents desk and floor space under formal leases. The rental income is recognised within membership services on an accruals basis when the organisation is entitled to that income.

n) Pensions

SCVO contributes to an Aegon defined contributions pension arrangement for staff. The employer makes a maximum contribution of 9% of the employee's gross salary to the scheme. SCVO also runs a pension salary sacrifice scheme for its staff. SCVO makes additional contributions towards the Scottish Voluntary Sector Pension Scheme funding shortfall as required by the scheme's pension recovery plan. This fund is now closed to new members or any further contributions from existing members. Further details on the defined benefit scheme can be found at note 19.

o) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the statement of financial activities.

**2. Judgement and estimates**

The preparation of these financial statements has required the trustees to make judgements, estimates and assumptions that affect the application of policies and reported amounts. The areas involving a degree of judgement significant to the view given by these statements are:

- actuarial assumptions in respect of the pension scheme. In making these assumptions, the trustees rely on figures provided by The Pension Trust. The assumptions are shown in note 19
- the useful economic lives of tangible fixed assets are assessed as to whether there are indicators of impairment. The annual depreciation charge is sensitive to changes in the estimated useful economic lives and residual values of the assets which are re-assessed annually taking into account factors such as physical condition, maintenance, and obsolescence.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**3. Income**

|   | Unrestricted<br>Funds | Restricted Funds | Total<br>Funds<br>2020 |
|---|-----------------------|------------------|------------------------|
|   | £                     | £                | £                      |
| <b>Income from donations and legacies</b> |                       |                  |                        |
| Scottish Government Core Grant            | 925,000               | -                | 925,000                |
| Charities Aid Foundation                  | 170,695               | -                | 170,695                |
| Donations                                 | 576,145               | -                | 576,145                |
|   | 1,671,840             | -                | 1,671,840              |
| <b>Income from charitable activities</b>  |                       |                  |                        |
| Scottish Government Grants                |                       |                  |                        |
| – Health work                             | 10,000                | 273,595          | 283,595                |
| – Infrastructure                          | -                     | 283,915          | 283,915                |
| – Carers Organisation                     | -                     | 232,385          | 232,385                |
| – Community Jobs Scotland                 | 6,610,231             | -                | 6,610,231              |
| – Digital Participation                   | 1,815                 | 349,837          | 351,652                |
| – Social Housing                          | -                     | 99,929           | 99,929                 |
| – Saltire Awards                          | -                     | -                | -                      |
| European Funding                          | 1,643,685             | 45,229           | 1,688,914              |
| Other Grant Income                        | 50,020                | 184,629          | 234,649                |
| The National Lottery Community Fund       | -                     | 201,159          | 201,159                |
| Membership services                       | 3,081,284             | -                | 3,081,284              |
| Other Earned Income                       | 1,429,462             | 18,381           | 1,447,843              |
|   | 12,826,497            | 1,689,059        | 14,515,556             |
| <b>Income from investments</b>            | 8,302                 | -                | 8,302                  |
| <b>Total income</b>                       | 14,506,638            | 1,689,060        | 16,195,698             |

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**
**3. Income (continued)**

|   | Unrestricted<br>Funds | Restricted<br>Funds | Total<br>Funds<br>2019 |
|---|-----------------------|---------------------|------------------------|
|   | £                     | £                   | £                      |
| <b>Income from donations and legacies</b> |                       |                     |                        |
| Scottish Government Core Grant            | 925,000               | -                   | 925,000                |
| Charities Aid Foundation                  | 178,823               | -                   | 178,823                |
| Donations                                 | 100                   | -                   | 100                    |
|   | 1,103,923             | -                   | 1,103,923              |
| <b>Income from charitable activities</b>  |                       |                     |                        |
| Scottish Government Grants                |                       |                     |                        |
| – Health work                             | 4,719                 | 504,897             | 509,616                |
| – Infrastructure                          | -                     | 205,920             | 205,920                |
| – Stronger Partnerships                   | -                     | 63,327              | 63,327                 |
| – Carers Organisation                     | -                     | 499,991             | 499,991                |
| – Community Jobs Scotland                 | 7,200,545             | -                   | 7,200,545              |
| – Digital Participation                   | -                     | 695,172             | 695,172                |
| – Social Housing                          | -                     | 99,929              | 99,929                 |
| – Saltire Awards                          | 20,000                | -                   | 20,000                 |
| European Funding                          | 16,752                | 1,068,691           | 1,085,443              |
| Other Grant Income                        | 85,183                | 200,854             | 286,037                |
| The National Lottery Community Fund       | -                     | 509,210             | 509,210                |
| Membership services                       | 3,018,619             | -                   | 3,018,619              |
| Other Earned Income                       | 160,800               | 7,267               | 168,067                |
|   | 10,506,618            | 3,855,258           | 14,361,876             |
| <b>Income from investments</b>            | 5,721                 | -                   | 5,721                  |
| <b>Total income</b>                       | 11,616,262            | 3,855,258           | 15,471,520             |

**4. Expenditure**

|                                      | Activities<br>undertaken | Grant<br>funding of<br>activities | Support<br>costs<br>(Note 5) | 2020<br>Total |
|--------------------------------------|--------------------------|-----------------------------------|------------------------------|---------------|
|                                      | £                        | £                                 | £                            | £             |
| <b>Charitable activities</b>         |                          |                                   |                              |               |
| Services to the sector               | 3,686,496                | 158,939                           | 723,908                      | 4,569,343     |
| Development and capacity<br>building | 1,231,288                | 2,221,900                         | 317,239                      | 3,770,427     |
| Employment initiatives               | 306,419                  | 5,604,242                         | 102,411                      | 6,013,072     |
|                                      | 5,224,203                | 7,985,081                         | 1,143,558                    | 14,352,842    |

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**4. Expenditure (continued)**

|                                      | Activities<br>undertaken<br>£ | Grant<br>funding of<br>activities<br>£ | Support<br>costs<br>(Note 5)<br>£ | 2019<br>Total<br>£ |
|--------------------------------------|-------------------------------|--|-----------------------------------|--------------------|
| <b>Charitable activities</b>         |                               |  |                                   |                    |
| Services to the sector               | 3,745,490                     | 469,723                                | 589,486                           | 4,804,699          |
| Development and capacity<br>building | 1,299,947                     | 1,827,214                              | 297,377                           | 3,424,538          |
| Employment initiatives               | 427,263                       | 6,281,855                              | 114,203                           | 6,823,321          |
|                                      | 5,472,700                     | 8,578,792                              | 1,001,066                         | 15,052,558         |

Services to the sector costs are further analysed below:

|   | 2020<br>£ | 2019<br>£ |
|---|-----------|-----------|
| Salaries and staff costs                      | 2,904,808 | 2,606,396 |
| Pension obligations                           | (66,103)  | 98,515    |
| Onward grants                                 | 158,939   | 469,723   |
| Office costs, depreciation, and bank interest | 847,791   | 1,040,579 |
| Support costs                                 | 723,908   | 589,486   |
|   | 4,569,343 | 4,804,699 |

SCVO paid out employment initiatives activity grants of £5,604,242. These payments were made to 403 separate organisations for delivery of Community Jobs Scotland. None of these grants are individually material and all are onward grants under the terms of the funding.

SCVO paid out Development and Capacity Building grants of £2,221,900 relating to five projects (European Funding £1,620,820, Carers Organisation £184,445, Digital Participation Grants £251,135, and Infrastructure £165,500). These payments were made to 204 separate organisations for delivery of these projects, none of these grants are individually material.

SCVO paid out Services to the Sector grants of £158,939 relating to Health Work. These payments were made to 19 different organisations. None of these grants are individually material and all are onwards grants in terms of funding.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**
**5. Support Cost Allocation**

|                                   | Accommodation  | Finance        | HR             | ICT            | Governance    | 2020 Total       |
|-----------------------------------|----------------|----------------|----------------|----------------|---------------|------------------|
|                                   | £              | £              | £              | £              | £             | £                |
| Services to the sector            | 190,635        | 155,806        | 129,740        | 224,447        | 23,280        | 723,908          |
| Development and capacity building | 110,015        | 69,590         | 50,416         | 87,218         | -             | 317,239          |
| Employment Initiatives            | 35,636         | 22,425         | 16,246         | 28,104         | -             | 102,411          |
|                                   | <u>336,286</u> | <u>247,821</u> | <u>196,402</u> | <u>339,769</u> | <u>23,280</u> | <u>1,143,558</u> |

|                                   | Accommodation  | Finance        | HR             | ICT            | Governance    | 2019 Total       |
|-----------------------------------|----------------|----------------|----------------|----------------|---------------|------------------|
|                                   | £              | £              | £              | £              | £             | £                |
| Services to the sector            | 34,203         | 169,384        | 133,860        | 212,295        | 39,744        | 589,486          |
| Development and capacity building | 102,118        | 64,154         | 50,699         | 80,406         | -             | 297,377          |
| Employment Initiatives            | 39,217         | 24,637         | 19,470         | 30,879         | -             | 114,203          |
|                                   | <u>175,538</u> | <u>258,175</u> | <u>204,029</u> | <u>323,580</u> | <u>39,744</u> | <u>1,001,066</u> |

Support costs are apportioned to charitable activities based on staff numbers and level of activity.

**6. Staff Costs**

|                                     | 2020             | 2019             |
|-------------------------------------|------------------|------------------|
|                                     | £                | £                |
| Salaries                            | 2,985,914        | 2,927,793        |
| Termination payments (redundancies) | 340,013          | 179,051          |
| Social security costs               | 289,842          | 288,416          |
| Other pension costs                 | 453,464          | 468,922          |
|                                     | <u>4,069,233</u> | <u>3,864,182</u> |

The average monthly number of employees during the year was 97 (2019: 94). Termination payments include £nil (2019 £109,564) not settled at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**6. Staff Costs (continued)**

**Key Management Remuneration**

Key management include those individuals who have authority and responsibility for planning, directing, and controlling the activities of the charity. The key management personnel of the charity are listed on 12. The total remuneration paid for services (including employer pension contributions) was £553,869 (2019: £465,412).

The numbers of staff whose emoluments, including termination payments, for the year fell in the following bands were:

|                    | <b>2020</b>   | <b>2019</b>   |
|--------------------|---------------|---------------|
|                    | <b>Number</b> | <b>Number</b> |
| £60,001 - £70,000  | -             | -             |
| £70,001 - £80,000  | 3             | 4             |
| £80,001- £90,000   | -             | -             |
| £90,001- £100,000  | 2             | 1             |
| £100,001- £110,000 | 2             | -             |
| £110,001- £120,000 | -             | -             |
| £120,001- £130,000 | 1             | -             |
| £170,000-£180,000  | -             | 1             |

**7. Net income for the year**

Net income is stated after charging:

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| Depreciation                                      | 257,337     | 261,794     |
| Auditor's remuneration - statutory audit services | 16,200      | 13,884      |
| Indemnity insurance                               | 4,482       | 4,482       |
| Operating lease rentals - equipment               | 36,020      | 52,739      |
| - property  | 11,750      | 11,750      |

**8. Related party transactions**

Trustees are reimbursed for expenses incurred on travel and subsistence in the performance of their duties. Reimbursements to 2 trustees (2019: 4) amounted to £1,075 (2019: £620). No remuneration was received by Trustees in 2020 (2019: £nil).

During 2019/20 there were no payments to related parties.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**
**9. Fixed Assets**

| <b>Tangible Assets</b> | <b>Land &amp;<br/>Buildings<br/>£</b> | <b>Computer<br/>Equipment<br/>£</b> | <b>Fixtures &amp;<br/>Fittings<br/>£</b> | <b>Total<br/>£</b> |
|------------------------|---------------------------------------|-------------------------------------|--|--------------------|
| <b>Cost</b>            |                                       |                                     |  |                    |
| At 1 April 2019        | 8,684,768                             | 529,618                             | 428,154                                  | 9,642,540          |
| Additions during year  | 18,525                                | 67,867                              | 208,938                                  | 295,330            |
| Disposals              | (1,794,172)                           | -                                   | -  | (1,794,172)        |
| At 31 March 2020       | 6,909,121                             | 597,485                             | 637,092                                  | 8,143,698          |
| <b>Depreciation</b>    |                                       |                                     |  |                    |
| At 1 April 2019        | 1,704,503                             | 369,938                             | 397,712                                  | 2,472,153          |
| Charge for year        | 135,087                               | 98,653                              | 23,597                                   | 257,337            |
| Eliminated on disposal | (184,966)                             | -                                   | -  | (184,966)          |
| At 31 March 2020       | 1,654,624                             | 468,591                             | 421,309                                  | 2,544,524          |
| <b>Net book amount</b> |                                       |                                     |  |                    |
| At 31 March 2020       | 5,254,497                             | 128,894                             | 215,783                                  | 5,599,174          |
| At 31 March 2019       | 6,980,930                             | 159,680                             | 30,442                                   | 7,170,387          |

Included within Land and Buildings is land with a cost of £1,452,540 (2019: £1,867,496), that has not been depreciated and leasehold improvements with a net book value of £38,195 (2019 £54,859).

**10. Debtors**

|                          | <b>2020<br/>£</b> | <b>2019<br/>£</b> |
|--------------------------|-------------------|-------------------|
| Due within 1 year:       |                   |                   |
| Outstanding grants       | 103,598           | 172,797           |
| Prepayments              | 42,732            | 85,812            |
| Other debtors            | 1,969,828         | 1,448,135         |
| VAT                      | -                 | -                 |
|                          | <u>2,116,158</u>  | <u>1,706,744</u>  |
| Due in more than 1 year: | <u>2,116,158</u>  | <u>1,706,744</u>  |

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**11. Creditors:** amounts falling due within one year

|                                       | <b>2020</b>      | <b>2019</b>      |
|---------------------------------------|------------------|------------------|
|                                       | <b>£</b>         | <b>£</b>         |
| Bank loans                            | 109,064          | 148,187          |
| Accruals                              | 489,178          | 583,257          |
| Deferred income                       | 1,215,364        | 873,180          |
| Other taxes and social security costs | 168,652          | 163,072          |
| Pension costs                         | 81,085           | 100,410          |
| Other creditors                       | 693,602          | 1,119,916        |
| Pension recovery plan                 | 399,825          | 348,000          |
|                                       | <u>3,156,770</u> | <u>3,336,022</u> |

**Deferred Income**

|                          |                  |                |
|--------------------------|------------------|----------------|
| Opening balance          | 873,180          | 1,094,274      |
| Released in year         | (590,192)        | (1,094,274)    |
| Deferred income for year | 932,376          | 873,180        |
|                          | <u>1,215,364</u> | <u>873,180</u> |

Deferred income relates to the advance element of the CJS payments that encompasses two financial periods.

The bank loans are secured on Brunswick House, Fairways House, and Edward House. There are two loans, both repayable in instalments; both loan terms are for 10 years.

Loan repayments on one loan commenced in August 2012. Interest is repayable on this loan at a rate of 1.5% above the bank's base rate, subject to a minimum charge of 2.5% per annum.

Loan repayments on a second loan commenced in April 2016. Interest is payable on this loan at a rate of 2.25% above the bank's base rate, subject to a minimum charge of 3.5% per annum. This loan has been paid off following the sale of Hayweight House on 26<sup>th</sup> June 2019. Loan repayments on the final loan commenced in August 2016. Interest is payable on this loan at rate of 2.5% above the bank's base rate, subject to a minimum charge of 3.5% per annum.

**12. Creditors:** amounts falling due after more than one year

|                       | <b>2020</b>      | <b>2019</b>      |
|-----------------------|------------------|------------------|
|                       | <b>£</b>         | <b>£</b>         |
| Bank loans            |                  |                  |
| Due 2-5 years         | 466,913          | 630,644          |
| Due after 5 years     | 1,691,663        | 2,757,049        |
| Pension costs         | 188,650          | 210,000          |
|                       | <u>2,347,226</u> | <u>3,597,693</u> |
| Pension Recovery Plan | 2,239,079        | 2,704,516        |
|                       | <u>4,586,305</u> | <u>6,302,209</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2020**

**13. Restricted Funds**

The restricted funds relate to specific projects. Where the funding is in the form of a government grant, the nature and amount of the grant is disclosed below.

**Restricted Fund: movements in the year**

|                         | 1 April 2019     | Income           | Expenditure        | 31 March 2020    |
|-------------------------|------------------|------------------|--------------------|------------------|
|                         | £                | £                | £                  | £                |
| Capital Grants          | 1,233,929        | -                | (18,759)           | 1,215,170        |
| Poverty and Health Work | (84,900)         | 273,596          | (188,696)          | -                |
| European Funding        | 5,970            | 17,435           | (17,514)           | 5,891            |
| Digital Participation   | 200,635          | 327,608          | (528,243)          | -                |
| Big Lottery             | 72,729           | 236,738          | (277,643)          | 31,825           |
| Milo                    | -                | 148,056          | (148,056)          | -                |
| Carers Organisation     | 3,914            | 232,385          | (236,299)          | -                |
| Social Housing          | 92,938           | 99,929           | (192,867)          | -                |
| Open Government         | -                | -                | -                  | -                |
| Cyber Resilience        | -                | 217,859          | (204,769)          | 13,090           |
| CAST                    | -                | 5,031            | (5,031)            | -                |
| ESIF                    | -                | 27,794           | (27,794)           | -                |
| Mpower                  | -                | 102,629          | (102,629)          | -                |
| <b>Total</b>            | <b>1,525,215</b> | <b>1,689,060</b> | <b>(1,948,299)</b> | <b>1,265,976</b> |

**Restricted Fund: movements in the prior year**

|                                | 1 April 2018     | Income           | Expenditure        | 31 March 2019    |
|--------------------------------|------------------|------------------|--------------------|------------------|
|                                | £                | £                | £                  | £                |
| Capital Grants                 | 1,252,688        | -                | (18,759)           | 1,233,929        |
| Poverty and Health Work        | (94,647)         | 598,493          | (588,746)          | (84,900)         |
| European Funding               | -                | 1,068,691        | (1,062,721)        | 5,970            |
| Digital Participation          | -                | 720,430          | (519,795)          | 200,635          |
| The National Lottery Community | -                | 389,998          | (317,269)          | 72,729           |
| Milo                           | -                | 145,920          | (145,920)          | -                |
| Carers Organisation            | -                | 499,991          | (496,077)          | 3,914            |
| Social Housing                 | -                | 99,929           | (6,991)            | 92,938           |
| Open Government                | 117,404          | 126,469          | (243,873)          | -                |
| <b>Total</b>                   | <b>1,275,445</b> | <b>3,855,258</b> | <b>(3,605,488)</b> | <b>1,525,215</b> |

**Capital Grants**- represents grants received to support the purchase and equipping of the voluntary sector centre in Inverness, less amounts released to unrestricted funds to match the depreciation.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**13. Restricted Funds (continued)**

**Poverty and Health Work** - this is a Scottish Government grant to increase the capacity and resilience of communities and local third sector organisations to provide support and skills required to mitigate the effects of welfare reform and poverty. This grant also continues the work of Building Healthy Communities Initiatives.

**European Funding** - relates to YVDS Erasmus, SCOPE and FPSE work programmes.

**Digital Participation** - Scottish Government initiative aimed at increasing the rates of digital participation and growing the digital capability of the voluntary sector in Scotland.

**The National Lottery Community Fund** - this relates to the project testing the importance of digital skills and identifying an approach to grow these.

**Milo** - work that SCVO does on behalf of the third sector in Scotland, we provide a data management and reporting platform known as Milo that is used by Scotland's Third Sector Interfaces (TSIs). Milo is funded by the Scottish Government.

**Carers Organisation** - Scottish Government funding to develop local capacity through improvements to systems and technology, rather than direct delivery or support to carers.

**Social Housing** - a Scottish Government funded project to increase digital participation in the social housing sector.

**Open Government** - the Open Government Pioneers Project, an initiative taking place across the whole of the UK, funded by The National Lottery Community Fund to build the capacity of citizens and civil society to use open government methods to secure progress towards the UN Sustainable Development Goals (SDGs).

**Cyber Resilience** - The project is funded by Scottish Enterprise and Scottish Government. Its aim is to help organisations in the third sector to improve their cyber security and robustness

**CAST**- funded by Centre for Acceleration of Social Technology

**Mpower**- a five year projected supported by European Union's VAT programme, creating a cross border service between Scotland, Northern Ireland, and the Republic of Ireland.

**14. Designated Funds**

|                             | <b>2020</b> | <b>2019</b> |
|-----------------------------|-------------|-------------|
|                             | <b>£</b>    | <b>£</b>    |
| Balance at 1 April          | 277,930     | 322,047     |
| Transfer from general funds | 138,125     | (44,117)    |
| Balance at 31 March         | 416,055     | 277,930     |

**Other Tangible Assets Reserve**

This reserve has been created to represent the reserves that are not available for other activities since they have been used to purchase fixed assets. The transfer from general funds represents the depreciation charge for the year.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**
**15. Pension Fund**

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| Balance at 1 April                     | (3,052,516) | (3,308,560) |
| Movement in defined benefit obligation | -           | -           |
| Transfer from general funds            | 413,612     | 256,044     |
| Balance at 31 March                    | (2,638,904) | (3,052,516) |

**16. General Funds**

|                              | <b>2020</b> | <b>2019</b> |
|------------------------------|-------------|-------------|
|                              | <b>£</b>    | <b>£</b>    |
| Balance at 1 April           | 2,579,655   | 2,622,390   |
| Net income for year          | 2,102,095   | 169,192     |
| Transfer to designated funds | (138,125)   | 44,117      |
| Transfer to pension fund     | (413,612)   | (256,044)   |
| Balance at 31 March          | 4,130,013   | 2,579,655   |

**17. Analysis of Net Assets between Funds**

|                       | <b>Restricted<br/>Funds</b> | <b>Designated<br/>Funds</b> | <b>Pension<br/>Fund</b> | <b>General<br/>Funds</b> | <b>2020 Total</b> |
|-----------------------|-----------------------------|-----------------------------|-------------------------|--------------------------|-------------------|
|                       | <b>£</b>                    | <b>£</b>                    | <b>£</b>                | <b>£</b>                 | <b>£</b>          |
| <b>31 March 2020</b>  |                             |                             |                         |                          |                   |
| Tangible fixed assets | 1,215,170                   | 416,055                     | -                       | 3,967,949                | 5,599,174         |
| Net current assets    | 50,806                      | -                           | (399,825)               | 2,509,290                | 2,160,271         |
| Long-term liabilities | -                           | -                           | (2,239,079)             | (2,347,266)              | (4,856,305)       |
|                       | 1,265,976                   | 416,055                     | (2,638,904)             | 4,130,013                | 3,173,140         |

|                       | <b>Restricted<br/>Funds</b> | <b>Designated<br/>Funds</b> | <b>Pension<br/>Fund</b> | <b>General<br/>Funds</b> | <b>2019 Total</b> |
|-----------------------|-----------------------------|-----------------------------|-------------------------|--------------------------|-------------------|
|                       | <b>£</b>                    | <b>£</b>                    | <b>£</b>                | <b>£</b>                 | <b>£</b>          |
| <b>31 March 2019</b>  |                             |                             |                         |                          |                   |
| Tangible fixed assets | 1,233,928                   | 277,930                     | -                       | 5,658,529                | 7,170,387         |
| Net current assets    | 291,287                     | -                           | (348,000)               | 518,819                  | 462,106           |
| Long-term liabilities | -                           | -                           | (2,704,516)             | (3,597,693)              | (6,302,209)       |
|                       | 1,525,215                   | 277,930                     | (3,052,516)             | 2,579,655                | 1,330,284         |

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**18. Administered Funds**

These are funds administered by SCVO on behalf of a number of organisations. In accordance with the SORP they have not been included in the main financial statements but are as follows:

|   | 2020<br>£ | 2019<br>£ |
|---|-----------|-----------|
| <b>Current assets</b>                                 |           |           |
| Cash at bank and in hand                              | 2,841     | 11,834    |
| <b>Creditors:</b> amounts falling due within one year |           |           |
| Covenant and gift aid funds                           | 715       | 1,715     |
| Other funds   | 2,126     | 10,119    |
|   | 2,841     | 11,834    |
| Total assets less liabilities                         | -         | -         |

Total income administered during the year amounted to £nil (2019: £50) and disbursements totalled £8,971 (2019: £3,678).

**19. Pension Commitments**

SCVO participates in two multi-employer Defined Benefit pension schemes.

**19.1 Scottish Voluntary Sector Pension Scheme**

SCVO participates in the Scottish Voluntary Sector Pension Scheme, a multi-employer scheme which provides benefits to some 102 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man-standing arrangement'. Therefore, SCVO is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**19. Pension Commitments (continued)**

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017. This actuarial valuation was certified on 19 December 2018 and showed assets of £120.0m, liabilities of £145.9m and a deficit of £25.9m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

**Deficit contributions**

|   |  |
|---|--|
| From 1 April 2019 to 30 September 2026: | £1,404,638 per annum (payable monthly and increasing by 3% each year on 1 <sup>st</sup> April) |
| From 1 April 2019 to 30 September 2027: | £136,701 per annum (payable monthly and increasing by 3% each year on 1 <sup>st</sup> April)   |

The contributions to 30 September 2027 are in respect of those employers that have agreed concessions (both past and present) with the Trustee.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £88.2m, liabilities of £122.1m and a deficit of £33.9m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

**Deficit contributions**

|   |  |
|---|--|
| From 1 April 2016 to 31 October 2029:   | £1,323,116 per annum (payable monthly and increasing by 3% each year on 1st April) |
| From 1 April 2016 to 30 September 2031: | £292,376 per annum (payable monthly and increasing by 3% each year on 1st April)   |
| From 1 April 2016 to 30 September 2031: | £37,475 per annum (payable monthly)  |

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**
**19. Pension Commitments (continued)**
**Present values of provision**

## Reconciliation of opening and closing provisions

|  | Period Ending<br>31 March 2020<br>(£000s) | Period Ending<br>31 March 2019<br>(£000s) |
|--|---|---|
| Provision at start of period                             | 2,942                                     | 3,963                                     |
| Unwinding of the discount factor (interest expense)      | 40  | 77  |
| Deficit contribution paid                                | (329)                                     | (279)                                     |
| Remeasurements - impact of any change in assumptions     | (106)                                     | 67  |
| Remeasurements - amendments to the contribution schedule | -   | (886)                                     |
| Provision at end of period                               | 2,547                                     | 2,942                                     |

|                            | 31 March 2020<br>(£000s) | 31 March 2019<br>(£000s) | 31 March 2018<br>(£000s) |
|----------------------------|--------------------------|--------------------------|--------------------------|
| Present value of provision | 2,547                    | 2,942                    | 3,963                    |

**Income and expenditure impact**

|  | Period Ending<br>31 March 2020<br>(£000s) | Period Ending<br>31 March 2019<br>(£000s) |
|--|---|---|
| Interest expense   | 40  | 77  |
| Remeasurements – impact of any change in assumptions     | (106)                                     | 67  |
| Remeasurements – amendments to the contribution schedule | -   | (886)                                     |

**Assumptions**

|                  | 31 March 2020<br>% per annum | 31 March 2019<br>% per annum | 31 March 2018<br>% per annum |
|------------------|------------------------------|------------------------------|------------------------------|
| Rate of discount | 2.57                         | 1.46                         | 2.01                         |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2020**

**19. Pension Commitments (continued)**

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

**Deficit contributions schedule**

| Year ending | 31 March 2020<br>(£000s) | 31 March 2019<br>(£000s) | 31 March 2018<br>(£000s) |
|-------------|--------------------------|--------------------------|--------------------------|
| Year 1      | 339                      | 329                      | 279                      |
| Year 2      | 349                      | 339                      | 287                      |
| Year 3      | 359                      | 349                      | 296                      |
| Year 4      | 370                      | 359                      | 304                      |
| Year 5      | 381                      | 370                      | 314                      |
| Year 6      | 393                      | 381                      | 323                      |
| Year 7      | 405                      | 393                      | 333                      |
| Year 8      | 208                      | 405                      | 343                      |
| Year 9      | -                        | 208                      | 353                      |
| Year 10     | -                        | -                        | 364                      |
| Year 11     | -                        | -                        | 374                      |
| Year 12     | -                        | -                        | 386                      |
| Year 13     | -                        | -                        | 397                      |
| Year 14     | -                        | -                        | 205                      |

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. It is these contributions that have been used to derive the company's balance sheet liability.

SCVO has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2019. As of this date the estimated employer debt for SCVO was £13,631,391.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**19. Pension Commitments (continued)**

**19.2 The Growth Plan**

SCVO also participates in The Growth Plan, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

**Deficit contributions**

|                                       |   |
|---------------------------------------|---|
| From 1 April 2019 to 31 January 2025: | £11,243,000 per annum (payable monthly and increasing by 3% each year on 1st April) |
|---------------------------------------|---|

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

**Deficit contributions**

|   |   |
|---|---|
| From 1 April 2016 to 30 September 2025: | £12,945,440 per annum (payable monthly and increasing by 3% each year on 1st April) |
| From 1 April 2016 to 30 September 2028: | £54,560 per annum (payable monthly and increasing by 3% each year on 1st April)     |

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**19. Pension Commitments (continued)**

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

**Present values of provision**

|                            | 31 March 2020<br>£ | 31 March 2019<br>£ | 31 March 2018<br>£ |
|----------------------------|--------------------|--------------------|--------------------|
| Present value of provision | 91,908             | 111,493            | 156,065            |

**Reconciliation of opening and closing provisions**

|  | Period Ending<br>31 March 2020<br>£ | Period Ending<br>31 March 2019<br>£ |
|--|-------------------------------------|-------------------------------------|
| Provision at start of period                             | 111,493                             | 156,065                             |
| Unwinding of the discount factor (interest expense)      | 1,411                               | 2,497                               |
| Deficit contribution paid                                | (18,503)                            | (20,111)                            |
| Remeasurements - impact of any change in assumptions     | (2,493)                             | 1,019                               |
| Remeasurements - amendments to the contribution schedule | -                                   | (27,977)                            |
| Provision at end of period                               | 91,908                              | 111,493                             |

**Income and expenditure impact**

|  | Period Ending<br>31 March 2020<br>£ | Period Ending<br>31 March 2019<br>£ |
|--|-------------------------------------|-------------------------------------|
| Interest expense   | 1,411                               | 2,497                               |
| Remeasurements – impact of any change in assumptions     | (2,493)                             | 1,019                               |
| Remeasurements – amendments to the contribution schedule | -                                   | (27,977)                            |

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2020**

**19. Pension Commitments (continued)**

**Assumptions**

|                  | 31 March 2020<br>% per annum | 31 March 2019<br>% per annum | 31 March 2018<br>% per annum |
|------------------|------------------------------|------------------------------|------------------------------|
| Rate of discount | 2.53                         | 1.39                         | 1.71                         |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

**Deficit contributions schedule**

| Year ending | 31 March 2020<br>£ | 31 March 2019<br>£ | 31 March 2018<br>£ |
|-------------|--------------------|--------------------|--------------------|
| Year 1      | 19,058             | 18,503             | 20,111             |
| Year 2      | 19,629             | 19,058             | 20,715             |
| Year 3      | 20,218             | 19,629             | 21,336             |
| Year 4      | 20,825             | 20,218             | 21,976             |
| Year 5      | 17,875             | 20,825             | 22,636             |
| Year 6      | -                  | 17,875             | 23,315             |
| Year 7      | -                  | -                  | 24,014             |
| Year 8      | -                  | -                  | 12,367             |

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

SCVO has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Scheme as at 30 September 2019. As of this date the estimated employer debt for SCVO was £167,358.62.

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2020**

**20. Leasing Commitments**

The total future minimum lease payments under non-cancellable operating leases

|                     | <b>Buildings</b> |               | <b>Office Equipment</b> |               |
|---------------------|------------------|---------------|-------------------------|---------------|
|                     | <b>2020</b>      | <b>2019</b>   | <b>2020</b>             | <b>2019</b>   |
|                     | <b>£</b>         | <b>£</b>      | <b>£</b>                | <b>£</b>      |
| Falling due         |                  |               |                         |               |
| - within 1 year     | 11,750           | 11,750        | 25,320                  | 16,458        |
| - in 1 to 5 years   | 26,438           | 26,438        | 32,751                  | 1,080         |
| - more than 5 years | -                | -             | -                       | -             |
|                     | <u>38,188</u>    | <u>38,188</u> | <u>58,071</u>           | <u>17,538</u> |

**21. Lessor Income**

The total future minimum rental income under operating leases

|                        | <b>2020</b>    | <b>2019</b>    |
|------------------------|----------------|----------------|
|                        | <b>£</b>       | <b>£</b>       |
| Expiring within 1 year | <u>147,040</u> | <u>165,458</u> |

**22. Analysis of net debt**

|                                    | <b>At April 2019</b> | <b>Cashflows</b> | <b>Other non-cash changes</b> | <b>At 31 March 2020</b> |
|------------------------------------|----------------------|------------------|-------------------------------|-------------------------|
|                                    | <b>£</b>             | <b>£</b>         | <b>£</b>                      | <b>£</b>                |
| <b>Cash &amp; cash equivalents</b> |                      |                  |                               |                         |
| Cash                               | 2,091,384            | 1,109,498        | -                             | 3,200,882               |
|                                    | <u>2,091,384</u>     | <u>1,109,498</u> | <u>-</u>                      | <u>3,200,882</u>        |
| <b>Borrowings</b>                  |                      |                  |                               |                         |
| Debt due within one year           | (148,187)            | 39,123           | -                             | (109,064)               |
| Debt due after one year            | (3,387,693)          | 1,229,117        | -                             | (2,158,576)             |
|                                    | <u>(3,535,880)</u>   | <u>1,268,240</u> | <u>-</u>                      | <u>(2,267,640)</u>      |
| <b>Total</b>                       | <u>(1,444,496)</u>   | <u>2,377,738</u> | <u>-</u>                      | <u>933,242</u>          |