



Report & Financial Statements

Year ended 31 March 2018

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

Charity No: SC003558

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

**FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018**

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SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCVO)

TRUSTEES ANNUAL REPORT

The Trustees present the annual report together with the audited financial statements for the year ended 31 March 2018.

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.

OBJECTIVES AND ACTIVITIES

As the national membership body for Scotland's third sector, SCVO works in partnership with the sector to advance the interests of our 1,900+ members and the people and communities they support, to help make Scotland a better place for everyone. SCVO'S activities include lobbying Government on policy issues, support third sector employers to create jobs to build capacity in the sector and supporting organisations to embrace and promote digital skills, while offering affordable office space, a payroll service, a recruitment website for the sector, discounted training courses and information and support for those looking to set up, run or fund a third sector organisation in Scotland.

OUR VISION

- An **economy** that takes account of people's needs, where all can contribute, and where the third sector contribution is recognised and supported
- A **society** where people are equal, supported and connected
- A **democracy** where people are active and involved in democratic processes, planning services and local communities

Our objectives and activities are detailed in our strategic plan under three themes – **Support, Connect and Change**.

Support – *increased access to good quality information and services to help voluntary organisations and people*. Highlights from the past year include:

- consistent number of visits to our Information Service web pages, with 166,345 visits in 2017/18 – accounting for 26% of all website page views for the year
- expansion of the Funding Scotland information service – which now has 17,334 subscribers – connecting direct with local authorities
- working with Scotland's Third Sector Governance Forum to help create a Scottish Governance Code for the Third Sector and being part of the working group which will deliver this from November 2018
- spearheading a General Data Protection Regulations (GDPR) awareness and information campaign, delivering in partnership with the Information Commissioners Office (ICO) information sessions and a sector conference with online resources
- significant development of SCVO's Scottish Government funded work to tackle digital exclusion in Scotland, which has now funded a total of 126 projects across the country
- 460 organisations utilising payroll service
- supporting 13 organisations through a managed pension exercise
- property management review undertaken, investments made and new team structure created, to help us make best use of our buildings
- our Edward House property became almost fully occupied during the year, providing affordable quality office space to the sector - SCVO currently accommodates 312 staff from 58 organisations across its five offices

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- responding to a dip in public trust in charities and general negative portrayal of charities in the media with a positive #ILoveCharity campaign which secured national press coverage and has spawned a 12 month plan of activity to support the sector
- launch of SCVO's new corporate website in February 2018, enabling us to consolidate our web estate, refresh our information and resources, and improve our user journeys
- distributed 20,000 copies of the first ever Third Force News (TFN) Guide to Running a Charity or Social Enterprise, generating positive feedback and 30% of TFN's total annual advertising income. TFN e-bulletin subscribers also increased by 23% to 5,590.

Connect - *increased access to volunteer and job opportunities, and increased chances to network, and connect interests across the sector.* Highlights from the past year include:

- volunteering opportunities were added to our Good HQ website to enable members of the public to find ways to donate their time in their local area
- a record 4,216 job vacancies were advertised on our Goodmoves site, we also passed 10 million Goodmoves web site visits since its creation
- we launched a seventh round of our Community Jobs Scotland employability programme with more targeted support for care leavers, ex-service people and those with disabilities – creating 715 placements in third sector organisations
- our annual Gathering event welcomed 2,818 visitors, 108 exhibitors and 62 events this year
- the Policy team now engage with 250 policy colleagues across the sector using a new medium - the Policy Intelligence Circular on Basecamp - to enable transparent and real-time communication on relevant topics
- we helped build Scotland's Sustainable Development Goals Network which has shaped the National Performance Framework

Change - *increased access to programmes that improve practice and build third sector capacity. The public and influencers have increased opportunities to learn about and from third sector experience and expertise.* Highlights from the past year include:

- 4,440 people have been supported to gain basic digital skills through projects funded by the fourth round of the Digital Participation Charter Fund
- 207 organisations signed up and committed to developing the digital skills of their staff and/or customers through the Digital Participation Charter
- Cyber Resilience in the third sector, funded by the UK Government, provided grants to 14 organisations to achieve Cyber Essentials and carrying out wider engagement with trustees and senior sector staff
- our digital team are working with the Scottish Government to develop and consult on an Action Plan to build Cyber Resilience in the third sector
- our policy team's work spanned across 53 areas of action, including Brexit, social security, affordable internet, health and social care, open government and the Sustainable Development Goals
- SCVO staff were seconded to key parts of the NHS to support partnership working and culture change
- 22 senior leaders from the third sector were supported to take part in a six month action learning process
- the Scottish Charity Awards 2017 attracted hundreds of guests and helped raise the profile of the breadth and work of the third sector, provided a platform for recognition and celebration of achievement and successes of our finalists
- 78 training courses were delivered, providing a learning platform for members and the third sector to gain and refresh skills, and be supported in their learning.

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Areas for improvement

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

- while our Good HQ website has received almost 1,000 reviews of third sector organisations, the level of engagement and feedback has been less than originally anticipated, and the focus of work in 2018/19 will be around improving the experience of advertising and accessing volunteer opportunities
- we struggled to get traction with our Brexit policy influencing campaign and did not get the expected level of interest in our third sector engagement with Scottish tax plans
- there were technical problems with the lifts in our Hayweight House property that have been a major concern for both tenants and staff and resolving this is a top priority
- our membership package shrunk during the year and we are conscious that we need to add more value
- the level of member engagement at last year's AGM was disappointing and we need to look at ways to grow interest for 2018

FINANCIAL REVIEW

Turnover is up 3.4% to £14,199,142. Income comes from a mix of sources, trading such as Goodmoves, Payroll Services, Property Services, grant funding from Scottish Government, Big Lottery and other funders. Income is a mix of unrestricted and restricted sources all of which are directed to fulfilling SCVO's strategic plan objectives.

Included in expenditure of £13,974,008 is £7,895,296 of onward funding that was passed directly to third sector organisations.

This year we made a surplus of £225,134 (2017: £56,350), mostly due to good financial performance in our trading activities but also due to the addition of some new grant funding.

Tangible fixed assets of £7.2m (2017: £7.3m) primarily consist of properties, which were partly financed by £3.5m (2017: £3.7m) of bank loans of which fall due over more than one year. Net current assets were £549,288, of which £526,531 was available as general funds as shown at note 17. Total unrestricted funds were in deficit by £364,123 (2017: £585,259), which includes the long term creditor for the pension recovery plan of £3.3m (2017: £3.6m) which is described at note 19.

Funds employed stand at £911,322 (2017: £686,188) of which £1,275,445 (2017: £1,271,447) is of a restricted nature. The trustees in considering their ongoing commitments have designated in total £322,047 (2017: £368,975) 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.

GRANT MAKING

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

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RESERVES

The trustees regularly review reserves, using the reserves policy to support both the financial strategy and 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:

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

The trustees have set optimal reserves at £2,058,078. As at 31 March 2018, 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 at £526,531 (2017: 549,288).

We have designated reserves of £322,047 and also restricted reserves of £1,275,445. 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 gap between free reserves and optimal reserves is to be closed by improving our sustainability by investing in more predictable income sources and investment in operations. Given the size of the gap progress will take some time but in the interim the trustees are comfortable that obligations/growth can be met from annual income.

The reserves policy is reviewed quarterly as part of our internal financial control systems.

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 may 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 sufficient 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

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risk out of the scheme and along with a second phase in April 2017 reduced our liabilities by approximately 18%. This risk mitigation exercise is a long term strategy that will be built on if and when funding becomes available.

FUTURE PLANS

SCVO has a three-year strategic and annual operating plan, set within a long-term logic model steering us towards our vision. Key areas of upcoming activity include:

- consulting with the sector to construct a new strategic plan
- supporting the Scotland for Europe (halt Brexit) campaign and influencing post-Brexit successor funding for the third sector
- developing a sector response to the automation agenda
- continuing to champion the need for digital evolution within the third sector, with a greater focus on one-to-one practical support and signposting to enable organisations to change
- working with Scotland's Third Sector Governance Forum to launch and promote the Scottish Governance Code for the Third Sector during Trustees Week in November
- updating our Goodmoves and Funding Scotland websites to improve the user experience of searching and closer integration between our properties
- launching a 12 month programme of activity for the I Love Charity campaign
- changing the TFN weekly newspaper to a monthly magazine at the end of June 2018, to be printed and fulfilled by new social enterprise Scotland's Bravest, a partnership between Erskine and the Royal British Legion Scotland
- introducing premium TFN website content from August – with enhanced content only available to SCVO members or TFN subscribers

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 three Honorary Officers elected at the AGM, and up to two 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.

Finance, Audit and Risk Committee

This is the Board's only subcommittee, set up to give detailed scrutiny to funding, risk and control systems. It reports directly to the Board, and over the year has worked on scrutinising and developing risk identification, overseeing the Scottish Voluntary Sector Pension Scheme managed risk exercise to migrate pension risk, examining internal and external controls and developing the relationship between operational planning and budgeting.

Directorate

Day to day operation of SCVO is delegated to the Chief Executive and the Directorate team. Martin Sime - who served as SCVO'S Chief Executive for over 25 years - retired at the end of December 2017. Our Deputy Chief Executive, Lucy McTernan, filled the position of Acting Chief Executive until the appointment of SCVO's new Chief Executive, Anna Fowlie on 23rd April 2018.

SCVO has a pay grading structure that covers all of its staff. Placement on the scale is by using a job evaluation model. During 2013 the trustees commissioned external advice to review and benchmark salaries. Annual cost of living awards to the grading structure are made at the same rate across all pay grades.

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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 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: 26/9/18

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees

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

| | |
|--------------------------------|--|
| Shulah Allan (Convener) | Elected: 8 December 2016, resigned 19 October 2017 |
| Neville Mackay (Vice-Convener) | Elected: 3 July 2014, retired 8 December 2017 |
| Paul Bannon (Treasurer) | Elected: 3 July 2014 |
| Eliot Stark | Elected: 8 December 2016 |
| Michelle McCrindle | Elected: 8 December 2016 |
| Gordon MacRae | Elected: 3 July 2014, retired 21 March 2018 |
| Theresa Shearer | Elected: 26 November 2015 |
| Graham Curran | Elected: 26 November 2015 |
| Rebecca Duff | Elected: 8 December 2016 |
| Jay Butler | Co-opted: 10 December 2014, retired 21 March 2018 |
| Adam Lang | Elected: 8 December 2017 |
| Andrew Burns (Convener) | Appointed: 11 January 2018 |

Key Management Team

| | |
|---------------------------------|---|
| Chief Executive | Martin Sime, retired 31 December 2017 Anna Fowlie, appointed 23 April 2018 |
| Deputy Chief Executive | Lucy McTernan, resigned 31 May 2018 |
| Director of Finance & Resources | Tim Hencher |

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

Scott-Moncrieff
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 DIRECTORS 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 2018 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 2018 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 DIRECTORS 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 9, 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.

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS 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. 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.



Scott-Moncrieff

Statutory Auditor

Chartered Accountants

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: 26/9/18

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2018

| | | Unrestrict ed Funds | Restricted Funds | Total Funds 2018 | Unrestrict ed Funds | Restricted Funds | Total Funds 2017 |
|---|-------------------|---------------------------|---------------------|------------------------|---------------------------|---------------------|------------------------|
| | Note s | £ | £ | £ | £ | £ | £ |
| Income from: | | | | | | | |
| Donations and legacies | | 1,102,147 | - | 1,102,147 | 1,095,029 | - | 1,095,029 |
| Charitable activities | | 10,671,107 | 2,424,613 | 13,095,720 | 11,003,227 | 1,625,666 | 12,628,893 |
| Investments | | 1,275 | - | 1,275 | 3,147 | - | 3,147 |
| Total | 3 | 11,774,529 | 2,424,613 | 14,199,142 | 12,101,403 | 1,625,666 | 13,727,069 |
| Expenditure on: | | | | | | | |
| Charitable activities: | | | | | | | |
| Services to the sector | | 3,740,377 | 595,421 | 4,335,798 | 4,097,394 | 240,614 | 4,338,008 |
| Development and capacity build | | 579,407 | 1,701,687 | 2,281,094 | 678,626 | 1,403,811 | 2,082,437 |
| Employment initiatives | | 7,233,609 | 123,507 | 7,357,116 | 7,250,274 | - | 7,250,274 |
| Total | 4 | 11,553,393 | 2,420,615 | 13,974,008 | 12,026,294 | 1,644,425 | 13,670,719 |
| Net income/ (expenditure) | 7 | 221,136 | 3,998 | 225,134 | 75,109 | (18,759) | 56,350 |
| Fund balances brought forward at 1 April 2017 | | (585,259) | 1,271,447 | 686,188 | (660,368) | 1,290,206 | 629,838 |
| Fund balances carried forward at 31 March 2018 | 17 | (364,123) | 1,275,445 | 911,322 | (585,259) | 1,271,447 | 686,188 |

All amounts relate to continuing activities.

The notes on pages 16 to 33 form part of these financial statements

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

**BALANCE SHEET
AS AT 31 MARCH 2018**

| | Note | 2018 £ | 2017 £ |
|--|------|--------------------|--------------------|
| Fixed Assets | | | |
| Tangible assets | 9 | 7,205,743 | 7,344,911 |
| Current Assets | | | |
| Debtors | 10 | 1,046,067 | 1,198,003 |
| Cash at bank and in hand | | 3,138,971 | 2,428,798 |
| | | <u>4,185,038</u> | <u>3,626,801</u> |
| Creditors: amounts falling due within one year | 11 | <u>(3,635,750)</u> | <u>(3,007,445)</u> |
| Net current assets | | <u>549,288</u> | <u>619,356</u> |
| Total assets less current liabilities | | <u>7,755,031</u> | <u>7,964,267</u> |
| Creditors: amounts falling due after more than one year | 12 | <u>(3,535,149)</u> | <u>(3,683,519)</u> |
| Net assets excluding pension liability | | <u>4,219,882</u> | <u>4,280,748</u> |
| Pension liability | 12 | <u>(3,308,560)</u> | <u>(3,594,560)</u> |
| Total net assets | | <u>911,322</u> | <u>686,188</u> |
| Funds employed: | | | |
| Restricted funds | 13 | 1,275,445 | 1,271,447 |
| Unrestricted funds | | | |
| Designated funds | 14 | 322,047 | 368,975 |
| Pension fund | 15 | (3,308,560) | (3,972,661) |
| General funds | 16 | 2,622,390 | 3,018,427 |
| Total funds | 17 | <u>911,322</u> | <u>686,188</u> |

The financial statements were approved and authorised for issue by the board on 26/9/18

Signed on behalf of the Board of Trustees

Andrew Burns (Convener)

The notes on pages 16 to 33 form part of these financial statements

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

**STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2018**

| | 2018 | 2017 |
|---|------------------|--------------------|
| | £ | £ |
| Cash flows from operating activities: | | |
| Net income for the year | 225,134 | 56,350 |
| Adjustments for: | | |
| Depreciation charges | 257,540 | 245,855 |
| Dividends, interest and rents from investments | (1,275) | (3,147) |
| Decrease/ (increase) in debtors | 151,936 | (280,761) |
| Increase / (decrease) in creditors | 333,326 | (2,966,013) |
| Interest paid | 109,215 | 112,971 |
| Net cash provided by/ (used in) operating activities | 1,075,876 | (2,834,745) |
| Cash flows from investing activities: | | |
| Dividends, interest and rents from investments | 1,275 | 3,147 |
| Purchase of property, plant and equipment | (227,662) | (583,651) |
| Proceeds from disposal of property, plant and equipment | 109,290 | - |
| Net cash used in investing activities | (117,097) | (580,504) |
| Cash flows from financing activities: | | |
| Repayments of borrowings | (139,391) | (115,782) |
| Interest paid | (109,215) | (112,971) |
| Net cash used in financing activities | (248,606) | (228,753) |
| Changes in cash and cash equivalents in the year | 710,173 | (3,644,002) |
| Cash and cash equivalents at the beginning of the year | 2,428,798 | 6,072,800 |
| Cash and cash equivalents at the end of the year | 3,138,971 | 2,428,798 |

The notes on pages 16 to 33 form part of these financial statements

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCVO)

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2018

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 8. 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, so 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.

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCVO)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

1. Accounting Policies (continued)

d) Income – Grants Receivable and Other Income

It is SCVO's policy to take all grants to the statement of financial activities in the year to which the receipt is probable, measured and entitled. Where as part of the grant conditions the donor has imposed restrictions on the expenditure of resources which amount to pre-conditions for use any grant received over and above the level of expenditure is deferred. If no such restrictions are imposed then the income is recognised in full and if the grant is of a restricted nature and the level of expenditure is not equal to the grant the balance is transferred to a restricted fund.

Where grants are received specifically to provide for a fixed asset the income is recognised in the SOFA 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.

The organisation 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.

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.

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.

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCVO)

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2018

1. Accounting Policies (continued)

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.

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.

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2018

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.

3. Income

| | Unrestricted Funds | Restricted Funds | Total Funds 2018 | Total Funds 2017 |
|---|--------------------|------------------|-------------------|-------------------|
| | £ | £ | £ | £ |
| Income from donations and legacies | | | | |
| Scottish Government Core Grant | 925,000 | - | 925,000 | 925,000 |
| Charities Aid Foundation | 176,701 | - | 176,701 | 170,029 |
| Donations | 446 | - | 446 | - |
| | <u>1,102,147</u> | <u>-</u> | <u>1,102,147</u> | <u>1,095,029</u> |
| Income from charitable activities | | | | |
| Scottish Government Grants | | | | |
| Health work | 28,314 | 466,062 | 494,376 | 230,964 |
| Infrastructure | - | 203,144 | 203,144 | 140,000 |
| Stronger Partnerships | 30,000 | 57,000 | 87,000 | 19,673 |
| Website delivery | - | - | - | 80,021 |
| Community Jobs Scotland | 7,625,891 | - | 7,625,891 | 7,779,170 |
| Digital Participation | - | 419,428 | 419,428 | 697,000 |
| European Funding | 16,752 | 345,435 | 362,187 | 300,462 |
| Other Grant Income | 65,196 | 59,712 | 124,908 | 39,886 |
| Big Lottery | - | 750,325 | 750,325 | 484,739 |
| Membership services | 2,789,738 | - | 2,789,738 | 2,711,166 |
| Other Earned Income | 115,216 | 123,507 | 238,723 | 145,812 |
| | <u>10,671,107</u> | <u>2,424,613</u> | <u>13,095,720</u> | <u>12,628,893</u> |
| Income from investments | 1,275 | - | 1,275 | 3,147 |
| Total income | <u>11,774,529</u> | <u>2,424,613</u> | <u>14,199,142</u> | <u>13,727,069</u> |

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

4. Expenditure

| | Activities undertaken £ | Grant funding of activities £ | Support costs (Note 5) £ | 2018 Total £ | 2017 Total £ |
|--------------------------------|----------------------------|----------------------------------|-----------------------------|-------------------|-------------------|
| Charitable activities | | | | | |
| Services to the sector | 3,312,396 | 492,880 | 530,522 | 4,335,798 | 4,338,008 |
| Development and capacity build | 1,387,615 | 621,951 | 271,529 | 2,281,095 | 2,082,437 |
| Employment initiatives | 464,773 | 6,780,465 | 111,877 | 7,357,115 | 7,250,274 |
| | 5,164,784 | 7,895,296 | 913,928 | 13,974,008 | 13,670,719 |

Services to the sector costs are further analysed below:

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Salaries and staff costs | 2,517,779 | 2,497,673 |
| Pension obligations | 3,528 | 391,648 |
| Onward grants | 492,880 | 135,129 |
| Office costs, depreciation and bank interest | 791,089 | 743,091 |
| Support costs | 530,522 | 570,467 |
| | 4,335,798 | 4,338,008 |

SCVO paid out Employment Initiatives activity grants of £6,780,465. These payments were made to 429 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 £621,951 relating to four projects (European Funding £345,434, Big Lottery £86,606, Infrastructure £15,000 and Digital Participation Grants £174,911). These payments were made to 23 separate organisations for delivery of these projects, none of these grants are individually material and all are onward grants under the terms of the funding.

SCVO paid out Services to the Sector grants of £492,880 relating to Health Work. These payments were made to 139 different organisations. None of these grants are individually material and all are onwards grants in terms of funding.

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

5. Support Cost Allocation

| | Accommodati on £ | Financ e £ | HR £ | ICT £ | Governan ce £ | Total £ |
|-----------------------------------|------------------------|------------------|---------|----------|---------------------|------------|
| Services to the sector | 35,680 | 165,321 | 119,893 | 183,117 | 26,511 | 530,522 |
| Development and capacity build | 88,755 | 64,519 | 46,790 | 71,465 | - | 271,529 |
| Employment Initiatives | 37,708 | 26,182 | 18,987 | 29,000 | - | 111,877 |
| | | 256,02 | 185,67 | 283,58 | | 913,92 |
| | 162,143 | 2 | 0 | 2 | 26,511 | 8 |

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

6. Staff Costs

| | 2018 £ | 2017 £ |
|-------------------------------------|------------------|------------------|
| Salaries | 2,926,879 | 2,892,849 |
| Termination payments (redundancies) | 182,576 | 16,108 |
| Social security costs | 292,663 | 287,809 |
| Other pension costs | 455,606 | 469,874 |
| | <u>3,857,724</u> | <u>3,666,640</u> |

The average monthly number of employees during the year was 96 (2017: 98). The termination payments include £71,967 (2017: nil) not settled at the balance sheet date.

Key Management Remuneration

Key management include those individuals who have authority and responsibility for planning, directing and controlling the activities of the charity. They comprise 3 individuals and total remuneration paid for services was £431,175 (2017: £281,678).

The numbers of staff whose emoluments for the year fell in the following bands were:

| | 2018 Number | 2017 Number |
|---------------------|----------------|----------------|
| £60,001 - £70,000 | 4 | 4 |
| £70,001 - £80,000 | 1 | 1 |
| £80,001 - £90,000 | - | - |
| £90,001- £100,000 | - | 1 |
| £110,001 - £120,000 | 1 | - |
| £130,001 - £140,000 | 1 | - |

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

7. Net income/ (expenditure) for the year

The net income/ (expenditure) is stated after charging:

| | 2018 | 2017 |
|---|-------------|-------------|
| | £ | £ |
| Depreciation | 257,540 | 245,855 |
| Auditor's remuneration - statutory audit services | 11,230 | 10,900 |
| Indemnity insurance | 4,600 | 4,579 |
| Operating lease rentals - equipment | 54,298 | 54,332 |
| - 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 7 trustees (2017: 4) amounted to £2,480 (2017: £1,646). No remuneration was received by Trustees in 2018 (2017: £nil).

During 2017/18 there were no payments to related parties.

9. Fixed Assets

| Tangible Assets | Land & Buildings | Computer Equipment | Fixtures & Fittings | Total |
|------------------------------|-----------------------------|---------------------------|--------------------------------|------------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 April 2017 | 8,485,659 | 441,869 | 417,043 | 9,344,571 |
| Additions during year | 155,801 | 71,861 | - | 227,662 |
| Disposals | - | (14,759) | - | (14,759) |
| Adjustment for VAT recovered | (109,290) | - | - | (109,290) |
| At 31 March 2018 | <u>8,532,170</u> | <u>498,971</u> | <u>417,043</u> | <u>9,448,184</u> |
| Depreciation | | | | |
| At 1 April 2017 | 1,389,057 | 229,481 | 381,122 | 1,999,660 |
| Charge for year | 155,183 | 93,173 | 9,184 | 257,540 |
| Eliminated on disposal | - | (14,759) | - | (14,759) |
| At 31 March 2018 | <u>1,544,240</u> | <u>307,895</u> | <u>390,306</u> | <u>2,242,441</u> |
| Net book amount | | | | |
| At 31 March 2018 | <u>6,987,930</u> | <u>191,076</u> | <u>26,737</u> | <u>7,205,743</u> |
| At 31 March 2017 | <u>7,096,602</u> | <u>212,388</u> | <u>35,921</u> | <u>7,344,911</u> |

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

9. Fixed Assets (continued)

Included within Land and Buildings is land with a cost of £1,867,496 (2017: £1,867,496), that has not been depreciated and leasehold improvements with a net book value of £71,524 (2017: £88,188).

10. Debtors

| | 2018 £ | 2017 £ |
|--------------------------|------------------|------------------|
| Due within 1 year: | | |
| Outstanding grants | 31,000 | 23,673 |
| Prepayments | 100,705 | 100,243 |
| Other debtors | 585,935 | 843,199 |
| VAT | 325,490 | 216,200 |
| | <u>1,043,130</u> | <u>1,183,315</u> |
| Due in more than 1 year: | | |
| Prepayments | 2,937 | 14,688 |
| | <u>1,046,067</u> | <u>1,198,003</u> |

11. Creditors: amounts falling due within one year

| | 2018 £ | 2017 £ |
|---------------------------------------|------------------|------------------|
| Bank loans | 142,428 | 133,449 |
| Accruals | 928,134 | 507,564 |
| Deferred income | 1,094,274 | 704,188 |
| Other taxes and social security costs | 168,959 | 164,557 |
| Pension costs | 43,867 | 40,958 |
| Pension recovery plan | - | 378,101 |
| Other creditors | 1,258,088 | 1,078,628 |
| | <u>3,635,750</u> | <u>3,007,445</u> |
| Deferred Income | | |
| Opening balance | 704,188 | 3,383,821 |
| Released in year | (704,188) | (3,383,821) |
| Deferred income for year | 1,094,274 | 704,188 |
| | <u>1,094,274</u> | <u>704,188</u> |

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2018

11. Creditors: amounts falling due within one year (continued)

The 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, Hayweight House and Edward House. There are three loans, all repayable in instalments; all loan terms are for 10 years.

Loan repayments on one loan commenced in August 2012. Interest is repayable on this loan 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.

Loan repayments on the final loan commenced in August 2016. Interest is payable on this loan at 2.5% above the bank's base rate, subject to a minimum charge of 3.5% per annum.

12. Creditors: amounts falling due after one year

| | 2018 £ | 2017 £ |
|---------------------------|------------------|------------------|
| Bank loans | | |
| Due 2-5 years | 612,624 | 595,099 |
| Due after 5 years | <u>2,922,525</u> | <u>3,088,420</u> |
| | 3,535,149 | 3,683,519 |
| Pension Recovery Plan | 3,308,560 | 3,594,560 |
| | <u>6,843,709</u> | <u>7,278,079</u> |

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 2017 £ | Income £ | Expenditure £ | 31 March 2018 £ |
|-------------------------|----------------------|------------------|--------------------|-----------------------|
| Capital Grants | 1,271,447 | - | (18,759) | 1,252,688 |
| Poverty and Health Work | - | 500,774 | (595,421) | (94,647) |
| European Funding | - | 345,435 | (345,435) | - |
| Digital Participation | - | 444,428 | (444,428) | - |
| Big Lottery | - | 433,482 | (433,482) | - |
| Milo | - | 136,000 | (136,000) | - |
| Disability Interns | - | 123,507 | (123,507) | - |
| Open Government | - | 316,843 | (199,439) | 117,404 |
| Other Projects | - | 124,144 | (124,144) | - |
| Total | <u>1,271,447</u> | <u>2,424,613</u> | <u>(2,420,615)</u> | <u>1,275,445</u> |

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

13. Restricted Funds (continued)

Capital grant fund - 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.

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 Graduate Employment Supporting Business Growth and digital funding in rural areas.

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

Big Lottery - this relates to the project testing the importance of digital skills and identifying an approach to grow these.

Other Projects - agreement with Universities of St Andrews and Stirling relating to developing the use of administrative data on Scotland's civil society.

14. Designated Funds

| | 2018 £ | 2017 £ |
|------------------------------------|-----------------------|-----------------------|
| Balance at 1 April 2017 | 368,975 | 300,526 |
| Transfer (from) / to general funds | <u>(46,928)</u> | <u>68,449</u> |
| Balance at 31 March 2018 | <u><u>322,047</u></u> | <u><u>368,975</u></u> |

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.

15. Pension Fund

| | 2018 £ | 2017 £ |
|--|---------------------------|---------------------------|
| Balance at 1 April 2017 | (3,972,661) | (4,341,087) |
| Movement in defined benefit obligation | 4,000 | (345,000) |
| Transfer from general funds | <u>660,101</u> | <u>713,426</u> |
| Balance at 31 March 2018 | <u><u>(3,308,560)</u></u> | <u><u>(3,972,661)</u></u> |

16. General Funds

| | 2018 £ | 2017 £ |
|------------------------------|-------------------------|-------------------------|
| Balance at 1 April 2017 | 3,018,427 | 3,380,193 |
| Net income for year | 217,136 | 420,109 |
| Transfer to designated funds | 46,928 | (68,449) |
| Transfer to pension fund | <u>(660,101)</u> | <u>(713,426)</u> |
| Balance at 31 March 2018 | <u><u>2,622,390</u></u> | <u><u>3,018,427</u></u> |

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCVO)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

17. Analysis of Net Assets between Funds

| | Restricted Funds £ | Designated Funds £ | Pension Fund £ | General Funds £ | Total £ |
|-----------------------|--------------------------|--------------------------|----------------------|-----------------------|----------------|
| 31 March 2018 | | | | | |
| Tangible fixed assets | 1,252,688 | 322,047 | - | 5,631,008 | 7,205,743 |
| Net current assets | 22,757 | - | - | 526,531 | 549,288 |
| Long-term liabilities | - | -- | (3,308,560) | (3,535,149) | (6,843,709) |
| | <u>1,275,445</u> | <u>322,047</u> | <u>(3,308,560)</u> | <u>2,622,390</u> | <u>911,322</u> |

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:

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Current assets | | |
| Cash at bank and in hand | 15,552 | 15,948 |
| Creditors: amounts falling due within one year | | |
| Covenant and gift aid funds | 4,715 | 14,715 |
| Other funds | 10,837 | 1,233 |
| | <u>15,552</u> | <u>15,948</u> |
| Total assets less liabilities | - | - |

Total income administered during the year amounted to £10,050 (2017: £65,486) and disbursements totalled £10,446 (2017: £57,259).

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 SCVO 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.

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCVO)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

19. Pension Commitments (continued)

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.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £88.22m, liabilities of £122.15m and a deficit of £33.93m. 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 on 1st April) |
| From 1 April 2016 to 31 October 2031: | £292,376 per annum (payable monthly and increasing by 3% each on 1st April) |
| From 1 April 2016 to 31 October 2031: | £37,475 per annum (payable monthly and increasing by 3% each on 1st April) |

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

As the scheme is in deficit and SCVO has agreed to a deficit funding arrangement SCVO 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 2018 (£000s) | 31 March 2017 (£000s) | 31 March 2016 (£000s) |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Present value of provision | 3,963 | 4,229 | 4,156 |

Reconciliation of opening and closing provisions

| | Period Ending 31 March 2018 (£000s) | Period Ending 31 March 2017 (£000s) |
|---|---|---|
| Provision at start of period | 4,229 | 4,156 |
| Unwinding of the discount factor (interest expense) | 71 | 102 |

SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS (SCIO)

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2018

| | | |
|--|-------|-------|
| Deficit contribution paid | (270) | (263) |
| Remeasurements - impact of any change in assumptions | (67) | 234 |
| Remeasurements - amendments to the contribution schedule | - | - |
| Provision at end of period | 3,963 | 4,229 |

19. Pension Commitments (continued)

Income and expenditure impact

| | Period Ending 31 March 2018 (£000s) | Period Ending 31 March 2017 (£000s) |
|--|--|--|
| Interest expense | 71 | 102 |
| Remeasurements – impact of any change in assumptions | (67) | 234 |
| Remeasurements – amendments to the contribution schedule | - | - |

Assumptions

| | 31 March 2018 % per annum | 31 March 2017 % per annum | 31 March 2016 % per annum |
|------------------|---------------------------------|---------------------------------|---------------------------------|
| Rate of discount | 2.01 | 1.76 | 2.55 |

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.

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19. Pension Commitments (continued)

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

Deficit Contributions Schedule

| Year ending | 31 March 2018 (£000s) | 31 March 2017 (£000s) | 31 March 2016 (£000s) |
|-------------|--------------------------|--------------------------|-----------------------------|
| Year 1 | 279 | 270 | 263 |
| Year 2 | 287 | 279 | 270 |
| Year 3 | 296 | 287 | 279 |
| Year 4 | 304 | 296 | 287 |
| Year 5 | 314 | 304 | 296 |
| Year 6 | 323 | 314 | 304 |
| Year 7 | 333 | 323 | 314 |
| Year 8 | 343 | 333 | 323 |
| Year 9 | 353 | 343 | 333 |
| Year 10 | 364 | 353 | 343 |
| Year 11 | 374 | 364 | 353 |
| Year 12 | 386 | 374 | 364 |
| Year 13 | 397 | 386 | 374 |
| Year 14 | 205 | 397 | 386 |
| Year 15 | - | 205 | 397 |
| Year 16 | - | - | 205 |

SCVO 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 SCVO'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 2017. As of this date the estimated employer debt for SCVO was £16,660,568.

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 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for SCVO 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.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. 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 | £12,945,440 per annum |
| | (payable monthly and increasing by 3% each on 1st ...) |
| From 1 April 2016 to 30 September | £54,560 per annum |
| | (payable monthly and increasing by 3% each on 1st ...) |

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.

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19. Pension Commitments (continued)

As the scheme is in deficit and SCVO has agreed to a deficit funding arrangement SCVO 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 2018 (£000s) | 31 March 2017 (£000s) | 31 March 2016 (£000s) |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Present value of provision | 156 | 176 | 186 |

Reconciliation of opening and closing provisions

| Period ending | 31 March 2018 (£000s) | 31 March 2017 (£000s) |
|--|-----------------------------|-----------------------------|
| Provision at start of period | 176 | 186 |
| Unwinding of the discount factor (interest expense) | 2 | 4 |
| Deficit contribution paid | (20) | (19) |
| Remeasurements - impact of any change in assumptions | (2) | 5 |
| Remeasurements - amendments to the contribution schedule | - | - |
| Provision at end of period | 156 | 176 |

Income and expenditure impact

| Period Ending | 31 March 2018 (£000s) | 31 March 2017 (£000s) |
|--|--------------------------|-----------------------------|
| Interest expense | 2 | 4 |
| Remeasurements – impact of any change in assumptions | (2) | 5 |
| Remeasurements – amendments to the contribution schedule | - | - |

Assumptions

| | 31 March 2018 % per annum | 31 March 2017 % per annum | 31 March 2016 % per annum |
|------------------|---------------------------------|---------------------------------|---------------------------------|
| Rate of discount | 1.71 | 1.32 | 2.07 |

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.

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19. Pension Commitments (continued)

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

Deficit contribution schedule

| Year ending | 31 March 2018 (£000s) | 31 March 2017 (£000s) | 31 March 2016 (£000s) |
|--------------------|----------------------------------|----------------------------------|----------------------------------|
| Year 1 | 20 | 20 | 19 |
| Year 2 | 21 | 20 | 20 |
| Year 3 | 21 | 21 | 20 |
| Year 4 | 22 | 21 | 21 |
| Year 5 | 23 | 22 | 21 |
| Year 6 | 23 | 23 | 22 |
| Year 7 | 24 | 23 | 23 |
| Year 8 | 12 | 24 | 23 |
| Year 9 | - | 12 | 24 |
| Year 10 | - | - | 12 |

SCVO 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 SCVO'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 2017. As of this date the estimated employer debt for SCVO was £190,999.

During the financial year an additional payment of £378,102 was made to reduce the outstanding liability. This has been reflected on the balance sheet, however, this will not be recorded in pension commitments until the next full actuarial valuation which is due to be reported based on the position as at 30 September 2017.

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20. Leasing Commitments

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

| | Buildings | | Office Equipment | |
|---------------------|---------------|---------------|------------------|----------------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Falling due | | | | |
| - within 1 year | 11,750 | 11,750 | 40,314 | 51,454 |
| - in 1 to 5 years | 35,250 | 47,000 | 54,547 | 91,408 |
| - more than 5 years | 2,938 | 14,688 | - | - |
| | <u>49,938</u> | <u>73,438</u> | <u>94,861</u> | <u>142,862</u> |

21. Lessor Income

The total future minimum rental income under operating leases

| | 2018 £ | 2017 £ |
|------------------------|----------------|----------------|
| Expiring within 1 year | <u>168,556</u> | <u>162,772</u> |

22. Financial Instruments

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Financial assets | | |
| Financial assets measured at amortised cost | <u>3,755,906</u> | <u>3,295,670</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | 5,907,667 | 5,444,118 |
| Financial liabilities measured at fair value through the SOFA | <u>3,308,560</u> | <u>3,972,661</u> |
| | <u>9,216,227</u> | <u>9,416,779</u> |

Financial assets measured at amortised cost include cash at bank, outstanding grant income and other debtors.

Financial liabilities measured at amortised cost include bank loans, pension costs, other creditors and accruals.

Financial liabilities measured at fair value through the SOFA represent pension liabilities.