



**Changeworks Resources for Life
(a company limited by guarantee)
Report and Financial Statements
Year ended 31 March 2021**

**Charity Number: SC015144
Company Registration Number: SC103904**

Changeworks Resources for Life
Contents of the Financial Statements
For the year ended 31 March 2021

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Changeworks Resources for Life
Report of the Directors
For the year ended 31 March 2021

The directors present their report and the audited financial statements for the year ended 31 March 2021.

Reference and administrative details

Charity Number: SC015144

Company Number: SC103904

Directors

Derek Redvers, Chair

Joanne O'Hara, Vice Chair

Councillor Eleanor Bird

Nigel Douglas

Councillor Ian Perry

Steven Russell

Dr Margaret Somerville

Nicola Walters

Abi Gardner (appointed 1 February 2021)

Lindsay Scott (appointed 1 February 2021)

Mary Church (resigned 12 February 2021)

Philip Wright (resigned 26 April 2021)

Secretary

Teresa Bray

Directorate

Teresa Bray, Chief Executive

Graeme Farmer, Finance & Resources Director

Liz Partington, Deputy Chief Executive

Paul Thom, Technical Director

Laura Webb, Fuel Poverty and Low Carbon Operations Director (appointed 29 March 2021)

Sharon McIntyre, Operations Director (resigned 26 February 2021)

Auditor

Chiene + Tait LLP, Chartered Accountants and Statutory Auditor, 61 Dublin Street, Edinburgh, EH3 6NL

Bankers

The Co-operative Bank plc, Ground Floor, 96 Fountainbridge, Edinburgh, EH3 9QA

Triodos Bank, Brunel House, 11 The Promenade, Bristol, BS8 3NN

Bank of Scotland plc, 6 Picardy Place, Edinburgh, EH1 3JT

Nationwide Building Society, Pipers Way, Swindon, Wiltshire SN38 1NW

Solicitors

Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ

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Registered Office and operation address

36 Newhaven Road, Edinburgh, EH6 5PY

Objectives and activities

Changeworks' strategic plan was revised in July 2020 in response to the Covid pandemic, the resulting economic disruption and the rapidly changing operating environment.

Changeworks vision is for a world where everyone is able to live, work and enjoy life with a low carbon impact. We work towards this by developing and delivering high impact solutions to make low carbon life a positive reality for everyone.

Climate change is the most significant threat to the environment and our way of life. Scotland is committed to net zero carbon emissions by 2045, which will result in change to every aspect of our lives.

Collaboration, empowerment, innovation, integrity and passion are the values which drive us.

We recognise that climate change is the most significant threat to the environment and our way of life. It is vital for Scotland to take action to fulfil the promise of its climate change laws and targets. Key to this is eradicating fuel poverty. A just society is essential for a sustainable low carbon world.

We recognise that individual actions to reduce carbon emissions do make a difference, but the range of actions and volume must be scaled up. We also need to work in partnership to maximise our impact, utilising the flexibility offered to us from being a charity.

Goals

Changeworks has identified four ambitious goals that are intended to drive significant change and achieve our mission of a low-carbon life for all.

Within each goal are a series of key objectives to be achieved, yet these objectives are not exhaustive – Changeworks' activity continues to grow and develop all the time.

In addition to the four delivery goals, we have six enabling goals to support us in achieving our ambitions. These include empowering our staff and volunteers, maintaining strong and well-organised finances, using technology to support delivery, building strong partnerships, inspiring innovation, and being an exemplar in cutting our own carbon.

Goal 1: Accelerate the improvement of energy efficiency of buildings

Successfully deliver at scale a wide range of better insulated and healthy buildings.

Objectives

- Develop solutions and pilot approaches for retrofitting common property archetypes to achieve improvements that realise or exceed statutory targets
- Expand the scope and geographic range of our support for Energy Efficient Scotland delivery. Promote a clear, competitive and compelling service delivering high quality fuel poverty prevention measures
- Become a recognised strategic delivery partner for Local Heat and Energy Efficiency Strategies (LHEES) implementation, and the wider green recovery, by developing and disseminating a successful service model.

Impact

More people across a broader range of housing stock will live in well-insulated, comfortable homes. Using our skills, experience, and innovative approaches, we will have supported a significant number of households in preventing their risk of fuel poverty.

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This work will continue to enhance Changeworks' reputation as a leader in the field.

Goal 2: Effectively deploy renewable and low carbon solutions

Maximise the effective deployment of low carbon and renewable technologies, ensuring people's needs are met.

Objectives

- Deliver a whole energy systems approach covering electricity, heat and fuel for transport, which has the potential for large-scale replication and impact, contributing to both the green recovery and Changeworks' financial sustainability. Pilot and evaluate an approach for decarbonisation of the self-funding market and develop a future service offering informed by key learnings
- Identify, develop and deliver a service that provides operational and management support for district heating system owners, realising positive performance outcomes
- Investigate the demand for specialist training and support to external organisations providing direct services to consumers. This training will achieve benefits from the evolving energy system and structure.

Impact

Changeworks will enhance its reputation as a leader in developing and managing low carbon technology projects, supporting the potential of low-carbon heating and energy for developers, owners and consumers. Changeworks will also provide a wider range of services for partners, ensuring that householders benefit from Scotland's new energy system.

Goal 3: Deliver an integrated community approach to low carbon living

Develop and deliver an integrated community approach to low carbon living and working. This will include energy efficiency, waste prevention and low-carbon behaviour change.

Objectives

- Design and create a new integrated low carbon living community approach. This will include the transition of existing services and delivery, scale of ambition, identification of services, funding and staffing structure
- Trial and evaluate the approaches developed for the low carbon living community model to include sourcing funding, selection of place or community of interest, and partnership development
- Deliver the low carbon living community model on a wider scale, including the development of a sustainable investment model.

Impact

Building on the successes and learnings of previous community-based low-carbon projects, such as Change Works in Peebles and Zero Waste Leith, Changeworks will develop an integrated low carbon living community model. This will include trialling and evaluating the approach to build in as much best practice as possible. This innovative model will be adaptable to any community and will further establish Changeworks as a leader in delivering community level low-carbon living.

Goal 4: Reduce fuel poverty

Deliver a comprehensive fuel poverty service that tackles systemic issues, such as higher tariffs for prepayment meter users and difficulty in moving energy supplier with fuel debt. Changeworks believes that everyone, irrespective of income, should enjoy the benefits of well regulated, affordable, low carbon heat and power.

We are increasing our focus on reducing fuel poverty – tackling both the poverty itself and the root causes.

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Objectives

- Identify and address systemic fuel poverty issues, adopting an evidence-based approach that will influence practice and policy change to systematically reduce fuel poverty
- Expand, enhance and develop our range of early intervention and preventative solutions, including ensuring that households benefiting from physical measures maximise their potential
- Review, re-design, integrate and expand our services to alleviate the extreme impact of fuel poverty and empower households to prevent fuel poverty in the future.

Impact

Changeworks will strengthen its reputation as a leading delivery organisation in preventing and reducing fuel poverty by identifying and seeking to influence both systemic issues and fuel poverty itself.

Achievements and performance

The Covid pandemic had a major impact on how we worked and what we were able to achieve during the year. Our investment in technology over the years allowed us to move to remote working for the majority of staff relatively seamlessly. Our advice and support services, including Home Energy Scotland services in South East Scotland and the Highlands and Islands, moved to a fully remote service. Other office-based activities including our consultancy services have been fully operational throughout. With the construction industry shutdown, the various domestic insulation and renewable installation had to be put on hold in March 2020, they opened up in summer 2020 and closed down again in December 2020 and were fully operational again from April 2021. Our services which have a greater focus on face-to-face activity, especially waste prevention, were impacted to greater extent with funded projects being put on hold. Alternative approaches to work have been developed.

We are pleased to have been able to provide additional support to those households who were facing additional hardship during the pandemic. This included accessing £250,000 from the Energy Redress Fund to directly support householders with prepayment fuel meters.

Over the past year we placed significant focus on supporting our staff. The overall effectiveness of our approach was assessed by Investors in People in January 2021 and we were very pleased to receive platinum accreditation.

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Changeworks' Impacts 2020/21

1. Impact results

As a charity it is important to focus on the impact we are having rather than our financial performance. We have developed a number of indicators which show how we are performing: carbon savings supported, energy efficiency and renewable measure installed, financial savings obtained for vulnerable households and the number of people and organisations we have supported. These indicators are not able to give a comprehensive picture of the impact we have had so we also include case studies and publish research.

Despite the challenges of the past year due to the pandemic we are pleased to have achieved a similar impact to the year before. The scale of the climate emergency requires a significant uplift in our activity which we hope to achieve in 2021/22.

1.1. Carbon savings

The carbon savings represent the lifetime saving in carbon emissions that the organisation has been involved in supporting. The savings are achieved by the installation of energy efficiency measures and renewable technology, the adoption of low carbon behaviours and the reduction in consumption. Our role in supporting these savings includes the provision of expert advice, the management of physical installation programmes, the support and encouragement of people and organisations to take action.

For both the physical measures and the behavioural change activities we support we obtain the lifetime savings as provided by the Energy Saving Trust or other similar bodies. We multiply these figures by the number of measures installed or the people taking action. Where available we utilise the actual data but where advice is the main action we employ surveys and statistical techniques to identify the action taken by the people we support and ask whether this is attributable to our service. We also include a proportionate share from the savings achieved by our joint ventures.

In 2020/21 we supported the saving of 239,000 CO₂e (2019/20: 239,000). We were pleased to achieve the same level of savings as the previous year despite the covid restrictions which curtailed the installation of all physical measure from April – July 2020 and several limited installations from December 2020-April 2021.

The results for 2020/21 are very positive considering that for a significant part of the year some of our operations have been curtailed. Particular highlights are the services delivered by Home Energy Scotland in the South East where a review programme has been implemented to increase the carbon savings from the service.

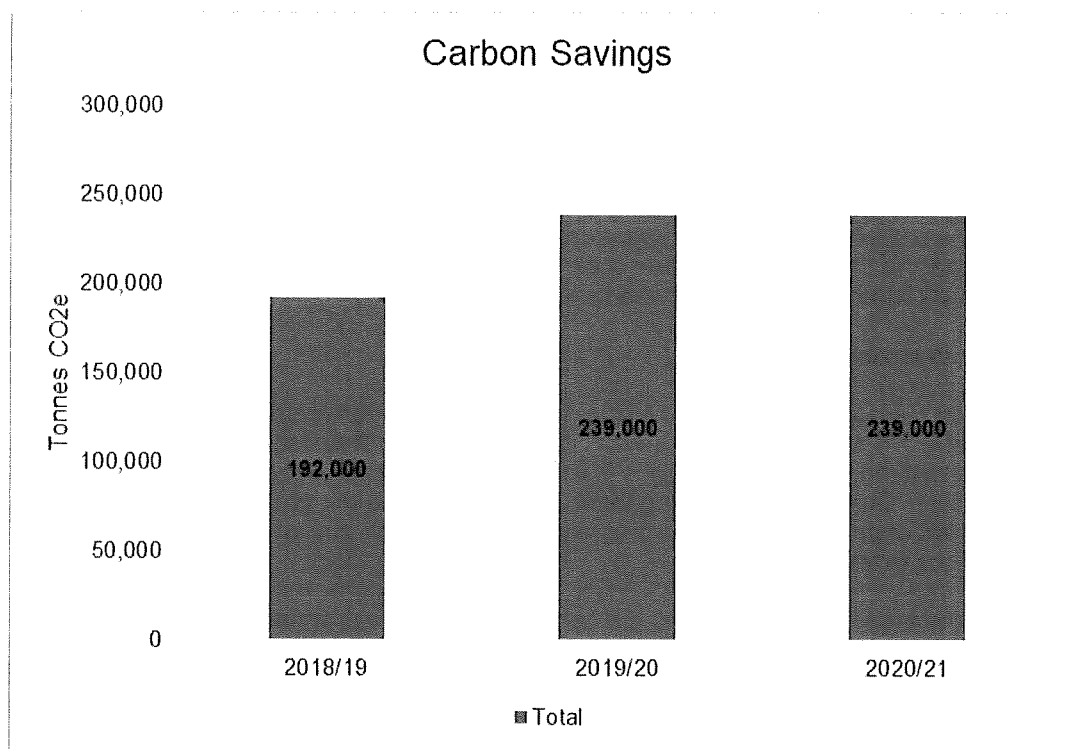
Overall, the impact reporting has improved significantly with the introduction of quarterly reporting and a greater analysis of the figures. The targets for 2021/22 are in the process of being set which will allow variance analysis to be carried out.

The carbon savings described below are the outcome of the installation of energy efficiency or low carbon heat measures and behaviour change advice given to reduce energy use. Although carbon savings in each quarter have varied throughout the year due to reduced numbers of installations as a result of Covid-19 (Figure 1), the total figure of 239,000 CO₂e is comparable with the previous year (2019/20: 239,000).

In 2020/21 the majority of the carbon savings have stemmed from work with households (94%) and to a lesser extent organisations (6%). The Project Management team has installed 177 energy storage batteries this year. These are excluded from the carbon savings as we are awaiting lifetime CO₂e figures from Energy Saving Trust. Carbon savings in each quarter have varied throughout the year due to reduced numbers of installations as a result of Covid-19.

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Figure 1: Carbon savings



1.2. Accelerate the improvements of energy efficiency of buildings

Considerable efforts are needed to improve the energy efficiency of Scotland's housing stock to reduce energy demand and the effects of fuel poverty by installing insulation at scale. This includes insulation measures from Warmer Homes Scotland, through the delivery of four area-based Home Energy Efficiency Programmes for Scotland (HEEPS:ABS) schemes by Project Management, Low Carbon Communities projects and installations undertaken through Warmworks as part of the Warmer Homes Scotland Scheme.

Figure 2 outlines the contribution that Changeworks has made towards this during the past three years. During 2020/21 almost 2,900 insulation measures have been installed (2019/20: 3,5000). The majority were installed by Project Management through the four local authority HEEPS:ABS programmes that they deliver, or through Warmworks installations as part of the Warmer Homes Scotland scheme.

With the construction industry shutdown, various domestic insulation and renewable installations had to be put on hold and were only fully operational again from April 2021 meaning that Project Management were unable to hit their target of 1,676 installations. Despite the challenging operating conditions, they completed 1,019 installations (61% of target), contributing to Changeworks delivering 83% of the total installations for the previous year, which is an excellent result given all the disruption.

Heating system insulation and external wall insulation were the two most commonly installed measures (Figure 3). This contrasts with 2019, where the two most commonly installed measures were heating system insulation and cavity wall insulation. The full range of measures are shown in the pie chart below:

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Figure 2: Insulation delivered at scale: measures installed

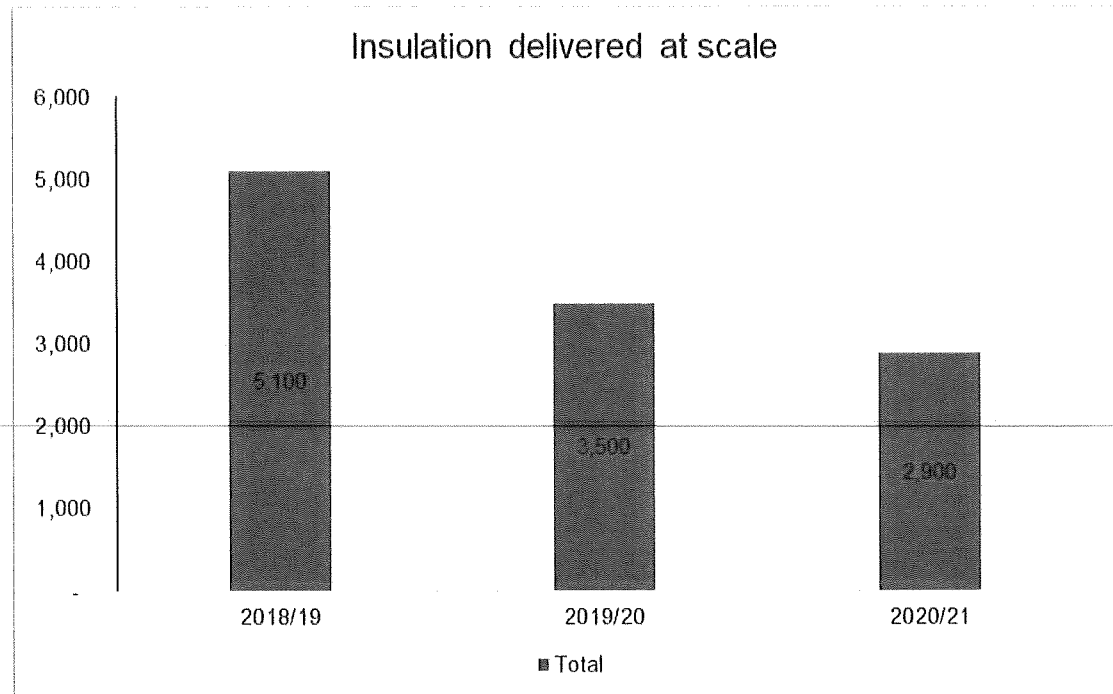
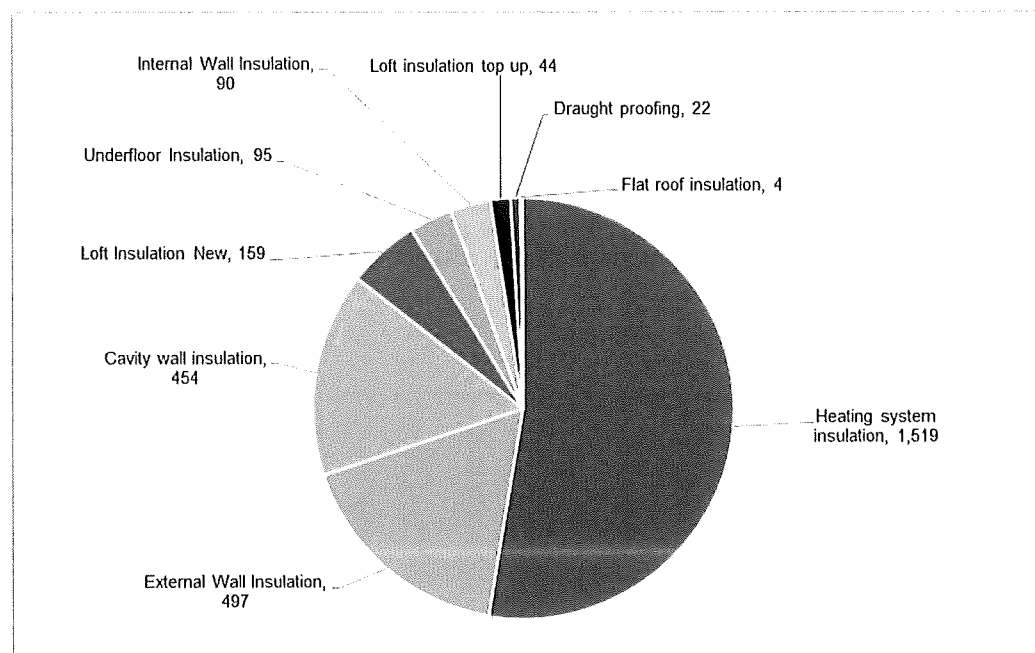


Figure 3: Total 2020/21 insulation measures installed by type



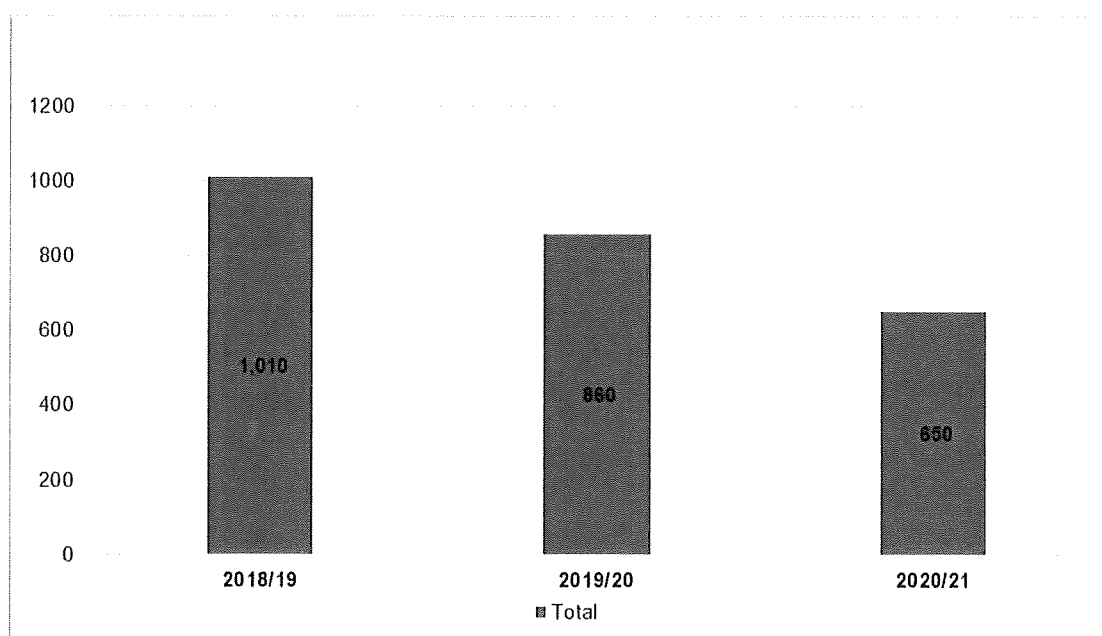
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1.3. Effectively deploy renewable and low carbon solutions

Increased installation of low carbon and renewable technologies is an essential part of reducing demand on fossil fuels. Installations are undertaken by Low Carbon Communities, Warmworks, and Project Management through the Local Energy Scotland Community and Renewable Energy Scheme (CARES).

In 2020/21, over 650 low carbon and renewable measures were installed (Figure 4). This compares to (2019/20: 860, 2018/19: 1,010). This reduction is due to Covid restricting access to people's properties, which affected the numbers of installs in Quarter 1 and Quarter 4.

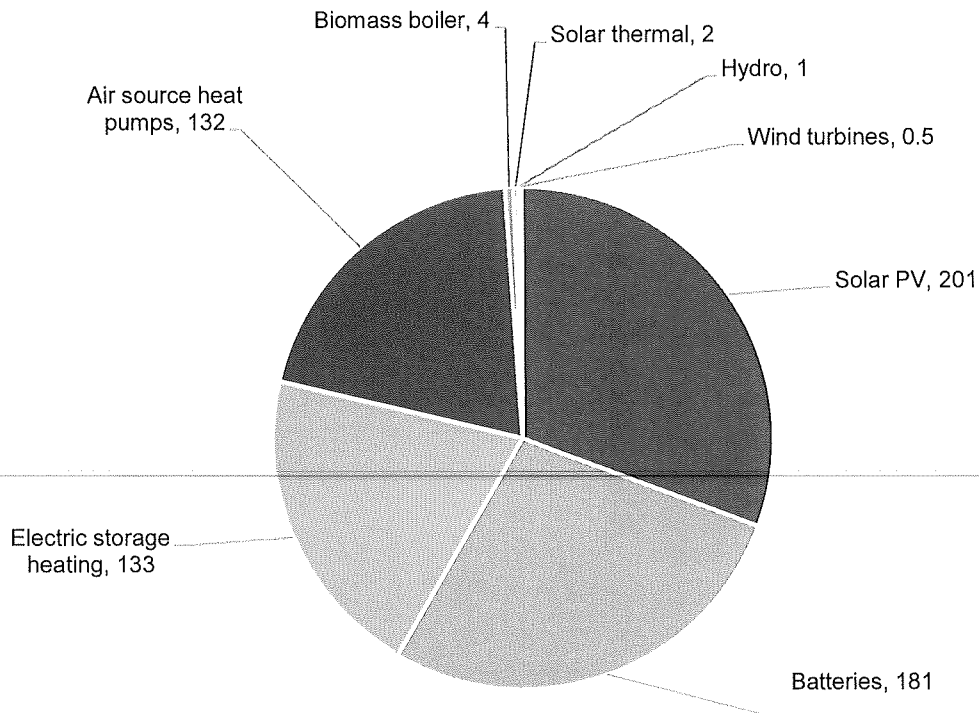
Figure 4: Low carbon and renewable technology



Solar PV was the most commonly installed technology with over 200 installations (Figure 5), followed by batteries and then electric storage heating. This has changed from the previous years where electric storage heaters and air source heat pumps were the most commonly installed technologies. The full range of low carbon measures are shown in the pie chart below.

Figure 5: Total 2020/21 low carbon measures installed by type

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1.4. A fairer society

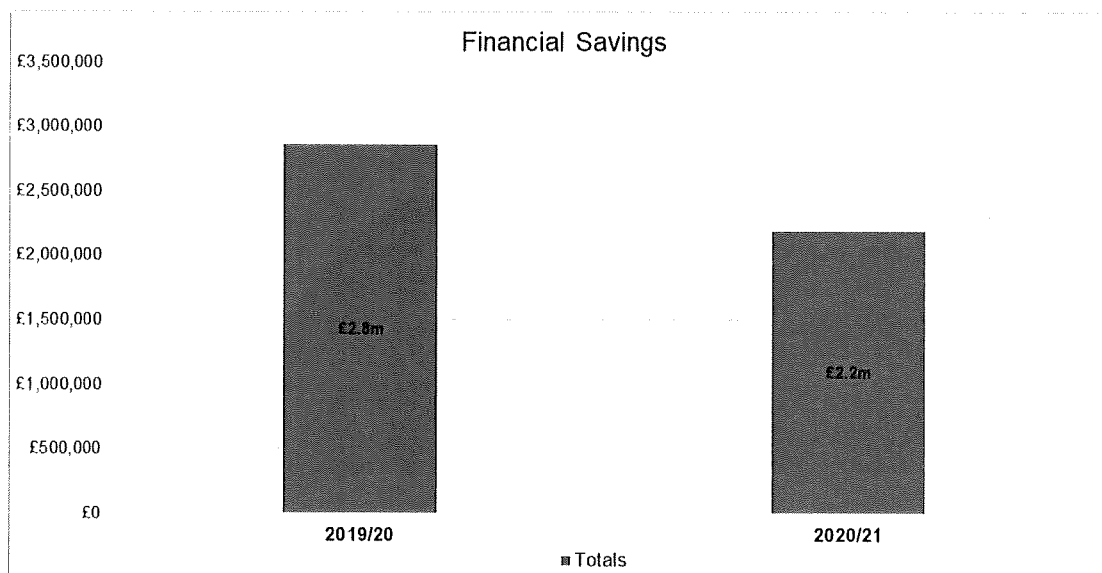
The other key impact Changeworks' seeks to achieve through its deliverables is to create a fairer society. This is evidenced through the financial savings to support vulnerable households. Savings are delivered through Affordable Warmth Services, Home Energy Scotland South East and Home Energy Scotland Highlands & Islands.

Savings of £2.2m have been achieved as a result of Changeworks support this year, compared to £2.8m for the previous year (Figure 6). Financial savings resulting from Changeworks support in 2020/21 are around three quarters (77%) of those achieved in the previous year. We were able to access £250,000 from the Ofgem Energy Redress fund to provide direct support to households with prepayment meters facing challenges.

Energy Savings Trust calculate that a household will save up to £440 a year through reducing food waste at home after attending a Love Food Hate Waste workshop. The Low Carbon Communities team supported over 230 households this year resulting in £102,080 savings.

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Figure 6: Financial savings for vulnerable households¹



¹There has been a fundamental change in the financial savings methodology therefore comparable figures from 2018 are not available.

1.5. People and organisations taking action

Changeworks provides a range of support to householders around fuel poverty, energy efficiency and renewables.

We have engaged with just under 54,500 households this year, 76% of the number of households engaged in the previous year (2019/20: 71,600), but very similar to the number engaged in the year before (2018/19: 55,000).

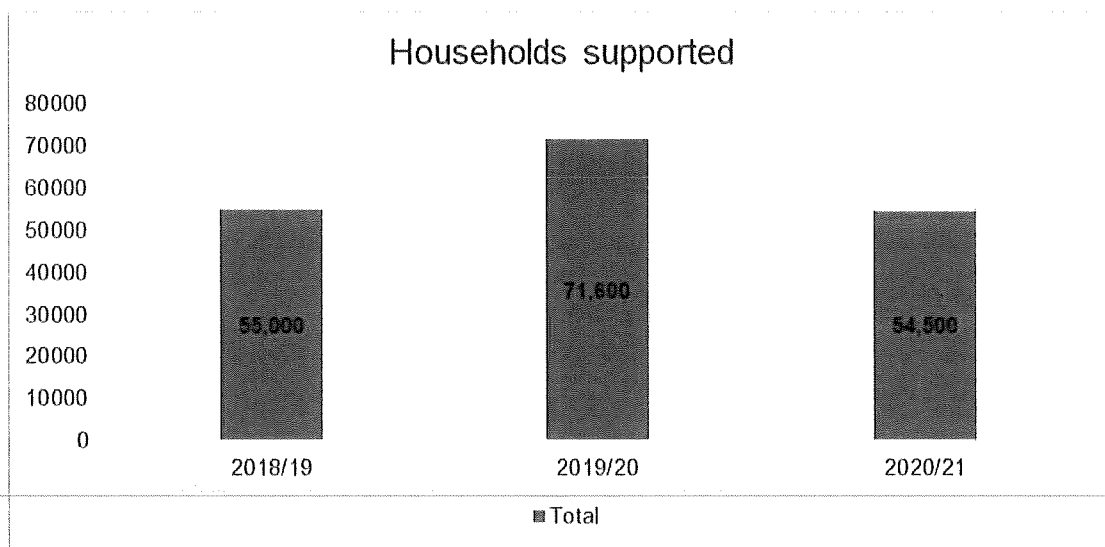
There are areas where engagement has been considerably lower than last year due to Covid restrictions. The full period of Q4 was in lockdown which had a significant impact on the installation of energy efficiency measures where very limited works were allowed in homes.

Both Home Energy Scotland advice centres supported less householders during Q4 than in Q3, though both exceeded their annual targets significantly.

For Low Carbon Community Projects, the number of householders supported has increased significantly in Q4 due to the inclusion of the numbers of those receiving digital support by using the online Edinburgh Reuse Map.

Figure 7: Number of households supported

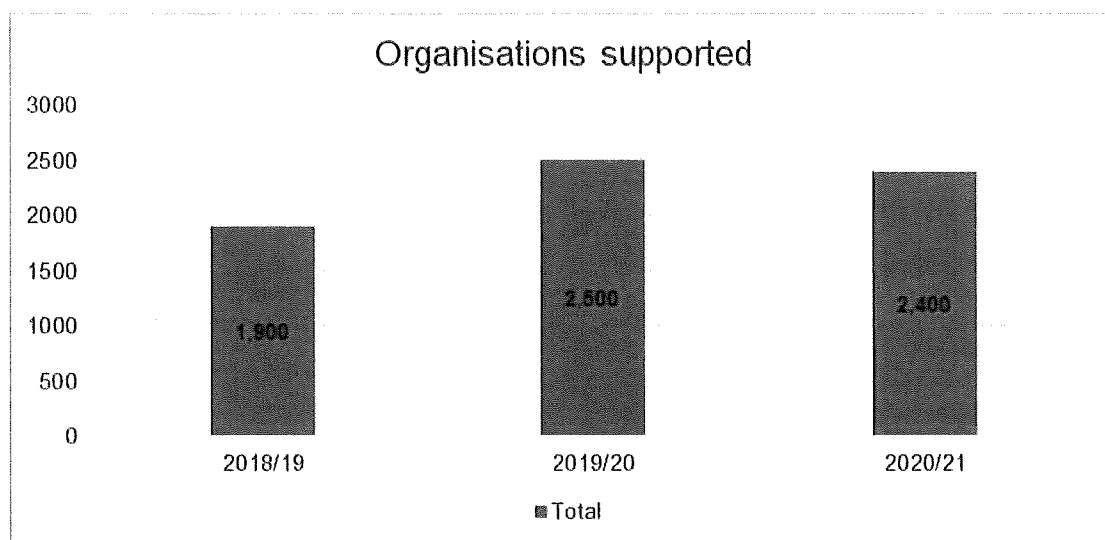
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Changeworks supported almost 2,450 organisations in 2020/21 (Figure 8), which is almost the same as in the previous year (2019/20: 2,500). New methods of support had to be rapidly developed and full advantage was taken of technologies such as external Teams meetings, webinars and virtual support.

Our joint venture Changeworks Recycling which provides business recycling services predominately to offices and the hospitality industry were particularly hard hit by the pandemic and the number of organisations they supported was halved. Our Local Energy Scotland team were able to support over 150 organisation to apply for funding for renewable energy projects.

Figure 8: Number of organisations supported



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2. Case Studies

The case studies below help bring to life the excellent work that Changeworks does, and show the real impact we make to the individuals and organisations we support:

[Going the Extra Mile for Scotland's Warm Homes](#)

[Helping a Householder Have Heating and Hot Water for the First Time in Three Years](#)

[Building Digital Tools for a Circular Economy](#)

3. Next steps

Changeworks has developed a Performance Framework to help the organisation ensure a disciplined and consistent approach to the ongoing monitoring, review and reporting of our performance. Carbon and Impacts sit at the centre of our framework. Work is ongoing to refine the framework. The organisation has also made a commitment to implementing the ISO 9001:2015 Quality Management System this year.

Work has been undertaken with the Board and Directorate to develop a suite of performance indicators, reports, systems and processes to help maintain a regular and ongoing focus on key data. This aims to increase transparency, assist decision-making and to instil a culture of continuous improvement across the organisation.

Team managers have been asked to identify ambitious but realistic targets, to adopt a Red, Amber, Green (RAG) traffic-light system to highlight what is working well, what is static and areas at risk / requiring action, and to provide commentary around the information to help to interpret it accurately.

We are engaging with staff at all levels about our improvement journey as part of our Innovation Strategy and are empowering them to identify new ideas and opportunities for improvement and to take personal ownership where they feel able. Staff have been supported with development around change management and resilience to help equip them with the necessary skills and growth mindset.

These approaches will help us achieve our goal of being an exemplar organisation. Through the implementation of improvement plans and the sharing of best practice both internally and with other organisations, we can grow as a quality-driven and performance-led organisation.

Carbon Footprint

Understanding Changeworks' carbon footprint and limiting this as much as possible is a vital aspect in acting as an exemplar organisation. We calculate our carbon footprint throughout the year and report annually in order to:

- Operate in a sustainable manner
- Minimise our environmental impact
- Adhere to environmental policy
- Use the results to focus on particular areas for improvement
- Continually review, assess and refine our calculation models

The carbon footprint for Changeworks is calculated based on the current UK Government guidance and conversion factors for greenhouse gas reporting issued by the Department for Environment Food and Rural Affairs (DEFRA) as well as the Task Force on Climate-Related Financial Disclosure (TCFD) which sets out corporate reporting approaches for transition and physical risks. Our calculations include the following emissions:

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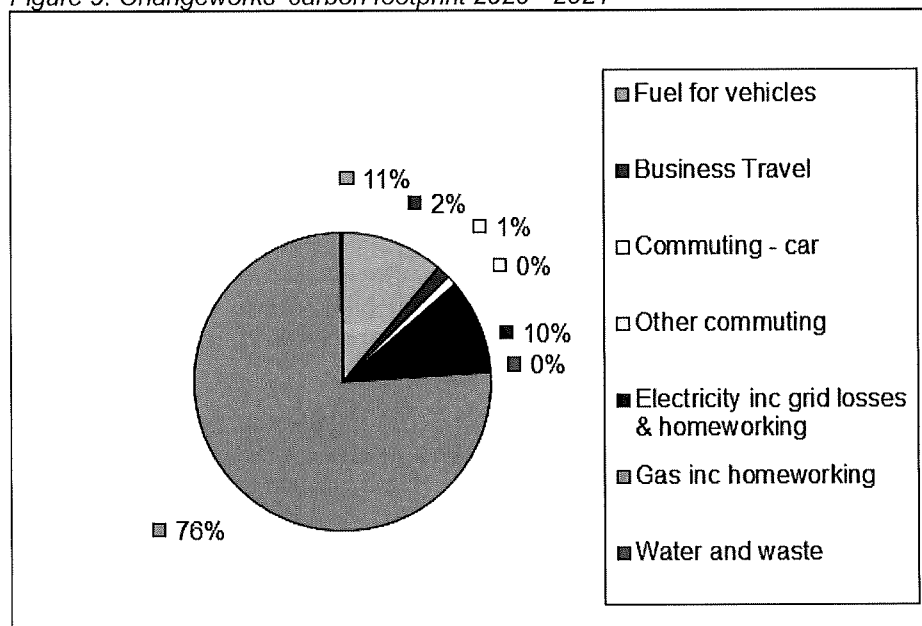
- Scope 1 - Direct emissions from the activities that are under an organisation's direct control, such as fuel combustion, vehicles and fugitive emissions
- Scope 2 - Indirect emissions related to the production of electricity, heat and steam that is purchased by the organisation
- Scope 3 - All other indirect emissions resulting from activities that are neither owned nor controlled by the entity. This includes emissions related to the use of consumer goods, transportation, waste treatment, and employee travel.

To calculate our carbon footprint we include:

- Data extracted from finance system (including expense claim forms, invoices and fuel cards)
- Data from electricity, gas and water readings
- Waste, recycling and landfill data (Edinburgh and Inverness offices)
- Energy use from homeworking
- Data from an annual Staff Commute to Work survey

The impact of energy use from homeworking has been calculated using guidance from the [EcoAct Homeworking Emissions Whitepaper](#), developed by a professional consultation and working group and including six large corporate organisations and in partnership with Lloyds Banking Group and NatWest Group

Figure 9: Changeworks' carbon footprint 2020 - 2021

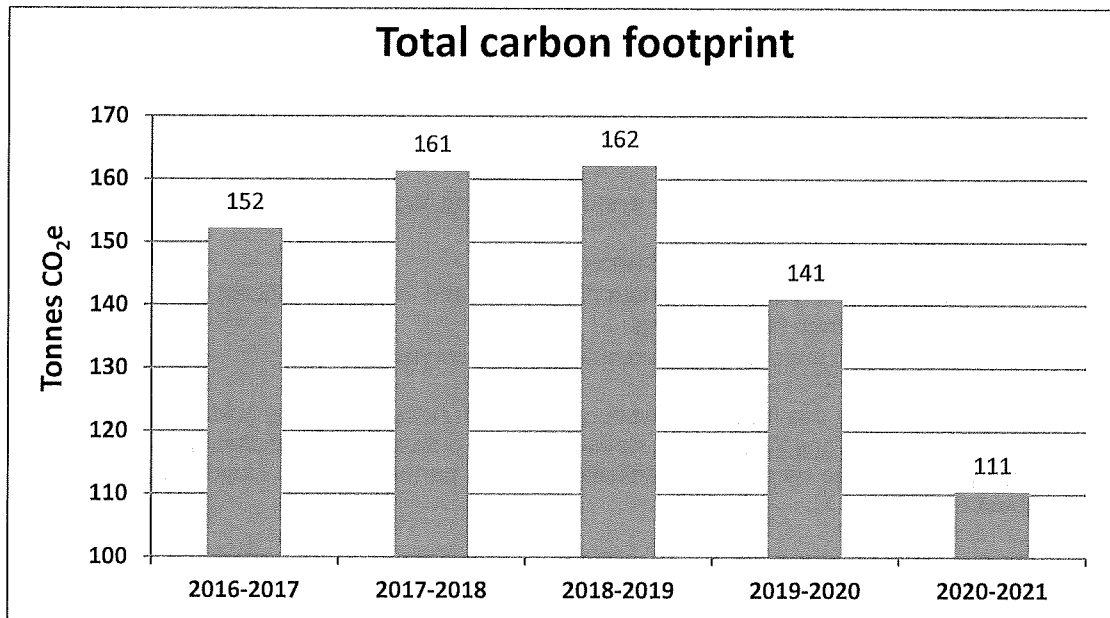


This year our carbon footprint is 111 tonnes CO₂e, which is a reduction of 30 tonnes CO₂e (22%) from 2019/20. Figure 9 shows the percentage split from the different contributors. Figure 10 shows the total carbon footprint each year from 2014/15.

Changeworks' carbon footprint is now 0.86 tonnes CO₂e per Full-time Equivalent employee (FTE). This constitutes a 54% reduction from our 2014/15 baseline of 1.58 tonnes CO₂e/FTE and an 8% reduction from 2019/20.

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Figure 10: Changeworks' carbon footprint from 2016 - 2021



There have been big changes to the organisations' carbon footprint this year as a result of Covid-19 restrictions. Some teams including Project Management were not fully operational due to restrictions, as home and site visits were not possible for periods throughout the year. As a result, some staff were furloughed.

This particularly affected delivery of the Home Energy Efficiency Programmes for Scotland (HEEPS): area-based schemes and insulation installation programmes through Warmworks. Services had to be adapted to take account of the operational conditions, with campaigns going online and being delivered virtually.

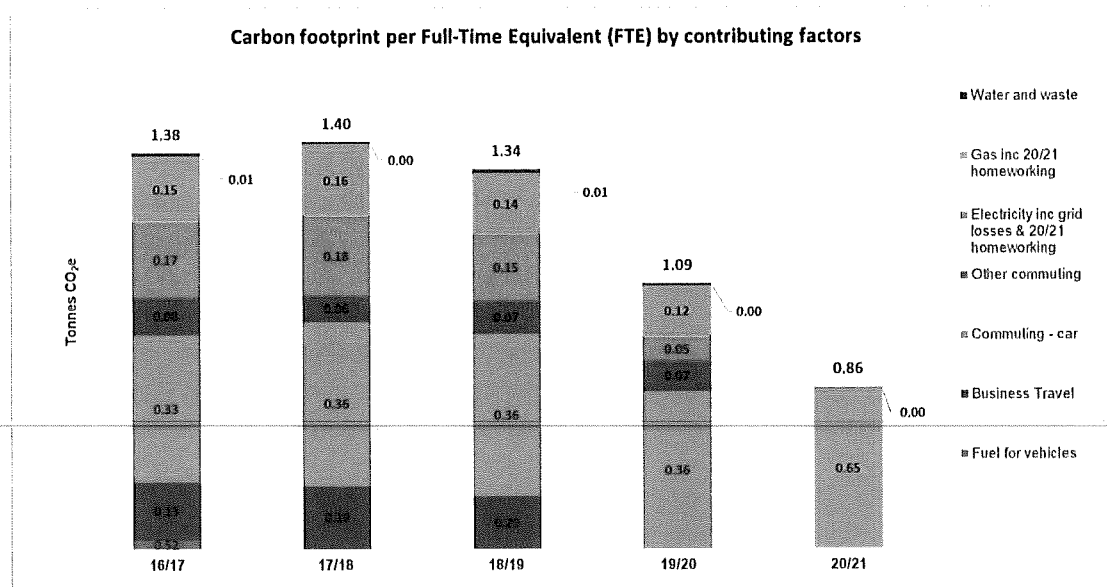
Homeworking has had a major impact on the 2019/20 results (Figure 11). Commuting and travel for business decreased significantly as a result of Covid-19 restrictions and became negligible overall contributing factors at both 0.01 tCO₂e per FTE. Home gas use from heating became the largest contributing factor with an increase of 154% to 0.65 tCO₂e in 20/21 per FTE (2019/20: 0.12 tCO₂e).

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Figure 11: Carbon footprint per Full-Time Equivalent by contributing factors



Accreditations

We hold the following accreditations:

- Investors in People (Platinum status)
- Investing in Volunteers
- ISO 14001 (Environmental Management System)
- Living Wage Employer
- Cycle Friendly Employer

Warmworks

Warmworks Scotland LLP, a joint venture owned equally by Changeworks Resources for Life, Energy Saving Trust Enterprises Limited and Everwarm, deliver the Scottish Government contract to deliver the national fuel poverty scheme, Warmer Homes Scotland. Warmworks operates throughout Scotland and manages the delivery of the installation of heating and insulation measures for vulnerable households.

In 2020/21 Warmworks helped 658 households (Changeworks' 33% share).

Changeworks Recycling

Changeworks Recycling Ltd, a company owned equally by Changeworks Resources for Life and Forbes Connor, had a challenging year with the closure of so many restaurants due to Covid in addition to less custom from offices due to staff working from home. Despite this, Changeworks Recycling had 525 business clients during the year (Changeworks' 50% share).

In 2020/21, 1071 tonnes of materials was collected for recycling (Changeworks' 50% share) and the carbon savings relating to this was 330 CO₂e.

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Financial Review

We have seen a further strengthening of our financial position during 2020/21.

The 2020/21 surplus of £0.4m (2020: £0.4m) has increased total funds to £6.9m (2020: £6.5m), of which £3.6m (2020: £3m) is unrestricted (available for charitable use without restriction or designation). This is £2.5m (2020: £1.6m) in excess of the minimum reserves level set by the Board. Excess reserves are made available for the furtherance of our charitable objectives in a planned and controlled manner via our Strategic Fund (see below), and the Board are comfortable building excess reserves in advance of our next three-year Strategic Plan (2022/25) which is likely to require significant levels of self-financing to implement.

During 2020/21, £313k of excess reserves were used to self-finance specific elements of the Strategic Plan, in a planned and budgeted manner through use of the Strategic Fund. We remain on course to spend the total £2m of reserves designated for this purpose over the life of the current Strategic Plan.

Covid

Operational restrictions arising from the UK and Scottish government's responses to the Covid pandemic had a major impact on the delivery of our services during the year. In particular, access to households for delivering face-to-face advice and installing energy efficiency measures was restricted to varying degrees throughout the year.

However, despite this, income levels dropped by only 4% and careful financial management and control helped deliver a small surplus for the year. This very positive financial result would not have been possible without Changeworks' innovative approach to service delivery, and the flexibility and collaborative approach of our funders and contractors.

We were also supported by £157k furlough income from the UK government's Job Retention Scheme.

Designated Funds

Following annual review, the Board has agreed to designate funds as follows:

- **Dilapidations Reserve:** £53,804 to cover dilapidation commitments of our various office leases.
- **Fixed Asset Reserve:** £394,784 being the book value of the charity's fixed assets at year-end. This reflects reserves tied up in physical assets and therefore not available for immediate spend.
- **Strategic Fund:** £1,202,315 to self-fund elements of the final year of our current Strategic Plan, ensuring progress against our goals as stated above. This includes funding activities not covered by external funding - and is the remaining balance on the original £2m designated fund set up to cover the three-year Strategic Plan.

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- **Investments:** £10,051 funds tied up in non-liquid investments (Warmworks, Changeworks Recycling and the Edinburgh Solar Co-op). Increased during the year by the purchase of an additional £5,000 of shares in the Edinburgh Solar Co-op.
- **Loans to related entities:** £300,000 tied up in loans and loan facilities not yet drawn down to Changeworks Recycling Ltd (which is owned 50% by the charity).
- **Warmworks Parent Company Guarantee:** £750,000 to cover our maximum potential exposure under the Scottish Government HEEPS 2 contract (delivered by Warmworks). Expected to remain in place for the duration of the Warmworks' delivery of this contract.
- **Relocation reserve:** £269,881 to cover the cost of relocating should we move office when the current lease on our Edinburgh HQ comes to an end in February 2023. Includes the possible transitional cost of holding two offices concurrently for a short while.

Reserves Policy

The reserves policy is reviewed annually by the Board. Minimum general fund requirement is calculated annually by identifying a range of risks and estimating their potential financial impact using a risk weighting based on their likely occurrence. Designations of unrestricted reserves for specific purposes are approved by the Board.

The Board estimates that, after removing designated funds, unrestricted reserves of £1.1m (2020: £1.4m) are required to cover estimated operational risk. This 22% decrease reflects the gradual move away from crisis management during the pandemic - our minimum reserve level increased dramatically the previous year in response to the uncertainties of working under Covid restrictions. Although Covid, and UK and Scottish government responses to it, remains a threat to our finances, the risks are reducing and manageable.

The Board has agreed a £0.5m deficit budget for 2021/22. This does not reflect a poor financial outlook, but rather the planned £0.9m spend of excess reserves via the Strategic Fund.

The level of unrestricted reserves is monitored by the Board on a quarterly basis, and by the Directorate monthly. As at 31 March 2021, total unrestricted funds were £6.6m (2020: £6.3m).

After removing the above designated funds, the general fund stood at £3.6m (2020: £3m) which is £2.5m (2020: £1.6m) in excess of the level required as per the Board's calculation of operational risk.

The Board is aware that excess reserves should be made available to fund charitable activities and accordingly has agreed to continue with the planned run-down of excess reserves via the Strategic Fund (£0.9m planned spend in 2021/22). A new Strategic Plan is being developed to cover three years from 1 April 2022, which will incorporate planned spend of excess general fund in existence at that point.

Risk management

The risk policy adopted by the Board is as follows:

"To achieve its mission and objectives Changeworks has to be prepared to take risks.

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Changeworks operates a system of identifying and evaluating risks. Where risks are identified, a decision is made whether to minimise, mitigate or manage the risk. Where it is decided to manage the risk the contribution to the overall risk portfolio is considered and the overall level of risk accepted will not be at a level that would undermine the continued operation of Changeworks. The level of risk acceptable must be considered against the contribution to Changeworks' aim. High-risk activities with little direct contribution to the objectives should not be undertaken even if there is a possibility of significant amounts of income generation."

The directors have assessed the risks to which the charitable company is exposed, as outlined in the Risk Register which is reviewed on an annual basis. Mitigation strategies / controls are in place for all identified risks.

The directors are of the opinion that the charity's risk management approach needs developed and enhanced in line with the increasing complexity of its operations and growth ambitions (as laid out in the Strategic Plan) and as a result is being reviewed by the Audit and Risk Assurance Committee, with support from the Executive. Following agreement by the Board, a revised risk policy will be introduced during 2021.

The four key risks highlighted in the current risk register (approved by the Board February 2021) are:

Risk summary	Controls / mitigations
Drop in staff quality and motivation	Learning & Development Strategy in place. Appointment of Senior Quality and Improvement Manager to drive improvements in quality systems and embed a quality culture.
Strategic mission drift	Next Strategic Plan being developed, learning from our experiences of the current one.
Loss of one or more strategic partners	Engaging with targeted Local Authorities on business development, opportunities and tender development.
Failing to exploit technical and digital advances	Innovation Strategy in place. Learning and Development Strategy in place. Investing in implementation and development of Changeworks Power Platform.

Plans for future periods

We will continue to expand our activity in accordance with our Strategic Plan outlined above and revised risk policy. The urgency in tackling the climate emergency has not diminished with the pandemic. With the opening up of society and the focus on the green recovery we are seeing increasing opportunities to support people in making a low carbon life and positive reality.

During 2021/22 we will be developing a new strategic plan which will reflect the activity we hope to achieve in making a significant contribution to Scotland achieving a 70% reduction in its carbon emission by 2030.

Structure, governance and management

Changeworks Resources for Life
Report of the Directors
For the year ended 31 March 2021

Changeworks Resources for Life is a company limited by guarantee governed by its Articles of Association passed by special resolution on 23 October 2020 (replacing the existing Articles dated 31 March 1987, amended 22 March 2006).

The new Articles of Association adopted during the financial year did not change our legal status as both a company limited by guarantee and a registered charity, but modernised and streamlined our structure. The main purpose of the exercise was to move to a single tier structure, though the opportunity was taken at the same time to overhaul other areas of governance (for example, director terms) and revise our charitable objects. Charitable objects were updated into current terminology rather than materially revised.

The move to a single tier structure was supported by our members, Friends of the Earth (Scotland) and City of Edinburgh Council, who ceased to be members at the date of adoption. We are extremely grateful for the support of our ex-member organisations both historically and in assisting with the move to our new simplified structure.

The company is registered as a charity with the Office of the Scottish Charity Regulator.

Changeworks Resources for Life is governed by a Board of Directors who are appointed under a process outlined in our Articles of Association. The Board ensures the company is managed efficiently and takes the lead in strategic decisions, although the day-to-day management of affairs is delegated to the Chief Executive.

Group Structure

The charitable company, Changeworks Resources for Life has one active 50% owned associate trading company, Changeworks Recycling Limited, whose main activity is the provision of business recycling services, plus one dormant trading subsidiary Changeworks Trading Limited. Changeworks Resources for Life also has a one-third interest in Warmworks Scotland LLP, which was established in June 2015.

Appointment of Directors

The maximum number of directors is 10 (11 during the current transitional period) and a minimum of 6 – each of whom can hold office for a maximum of three three-year terms.

Directors' Induction & Training

New directors are given a briefing on their legal obligations under charity and company law, the board and decision-making process, the business plan and recent financial performance of the charity. New directors are also encouraged to meet with key employees and attend strategy events.

Organisational Structure

The Board meets at least quarterly, and the Chief Executive has delegated authority for the operational management of the charity. The Chief Executive is supported in the delivery of the operational management by the Directorate made up of the Deputy Chief Executive, Fuel Poverty and Low Carbon Operations Director, Technical Director and Finance and Resources Director.

Although a formal hierarchical structure has been adopted, we do not allow structures to limit our delivery and actively promote cross-departmental working.

Key management remuneration

Changeworks Resources for Life
Report of the Directors
For the year ended 31 March 2021

Remuneration of all personnel, including key management, is covered by our Pay Policy, agreed by the Board December 2015.

Changeworks has developed its own salary grades and operates a job evaluation system where individual roles are assessed as to the level of responsibility and placed on the same grade as other roles within Changeworks that have a similar level of responsibility. A number of factors are considered when assessing the level of responsibility. For roles up to middle manager level the assessment is carried out by a panel of staff. More senior posts are assessed by a sub-group of the Board and the Chief Executive. The HR Co-ordinator acts as an advisor to both panels. The Chief Executive's salary is determined by the Board.

Senior salaries are restricted to a maximum of six times that of the lowest paid member of staff, though to date none have reached this level.

Related parties

Related party information is disclosed in note 23 to the accounts.

Statement of directors' responsibilities

The directors (who are also trustees of Changeworks Resources for Life for the purposes of charity law) are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP (FRS 102) (2nd edition – Oct 2019);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue on that basis.

The directors are responsible for maintaining adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Changeworks Resources for Life
Report of the Directors
For the year ended 31 March 2021

Disclosure of information to the auditor

As far as the directors are aware at the time the report is approved:

- there is no relevant information of which the charitable company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information, and to establish that the charitable company's auditor is aware of the information

Directors

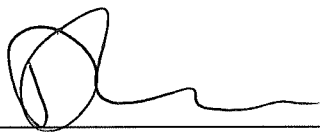
Members of the Board of Directors, who are directors for the purpose of company law and trustees for the purpose of charity law, who served during the year and up to the date of this report are set out on page 1. Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up.

This report has been prepared in accordance with the Accounting and Reporting by Charities Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and in accordance with special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The Directors' Report is approved by the Board of Directors on 31 August 2021 and signed on its behalf by:

Director _____

Derek Redvers



Changeworks Resources for Life
Independent Auditor's Report to the Members and Directors
For the year ended 31 March 2021

Opinion

We have audited the financial statements of Changeworks Resources for Life (the charitable company) for the year ended 31 March 2021 which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), 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 charitable company's affairs as at 31 March 2021 and of charitable company's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis 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 charitable company 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other information

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

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

Changeworks Resources for Life
Independent Auditor's Report to the Members and Directors
For the year ended 31 March 2021

course of the audit, or otherwise appears to be materially misstated. If we identify such material this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on page 20, the directors (who are also the trustees of the charity for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Changeworks Resources for Life
Independent Auditor's Report to the Members and Directors
For the year ended 31 March 2021

Auditor's responsibilities for the audit of the financial statements

We have been appointed auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with regulations made under those Acts.

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

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

We gained an understanding of the legal and regulatory framework applicable to the charity and the sector in which it operates and considered the risk of acts by the charity which were contrary to applicable laws and regulations, including fraud. This included but was not limited to the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006.

We focused on laws and regulations that could give rise to a material misstatement in the charity's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the directors and key management personnel;
- review of minutes of board meetings throughout the period;
- review of legal correspondence or invoices, and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's directors, 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 charitable company's

Changeworks Resources for Life
Independent Auditor's Report to the Members and Directors
For the year ended 31 March 2021

members, as a body, and the charitable company's directors, 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 charitable company, the charitable company's members, as a body, and the charitable company's directors, as a body, for our audit work, for this report, or for the opinions we have formed.



Barry Truswell CA (Senior Statutory Auditor)
For and on behalf of
CHIENE + TAIT LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Date:

08/09/2021

Chiene + Tait LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Changeworks Resources for Life
Statement of Financial Activities (incorporating Income and Expenditure account)
For the year ended 31 March 2021

		Unrestricted funds	Restricted funds	Total funds 2021	Total funds 2020
	Notes	£	£	£	£
Income and endowments from:					
Charitable activities	5	5,385,843	1,207,983	6,593,826	6,744,918
Investment Income	6	20,462	-	20,462	132,708
Total		5,406,305	1,207,983	6,614,288	6,877,626
Expenditure on:					
Charitable activities:	7	5,082,809	1,157,557	6,240,366	6,439,205
Total		5,082,809	1,157,557	6,240,366	6,439,205
Net gains/(loss) on investments	13	-	-	-	-
Tfr Restricted to Unrestricted		-	-	-	-
Net income/(expenditure) and movement in funds		323,496	50,426	373,922	438,421
Reconciliation of funds:					
Total funds at 31 March 2020	22	6,254,474	286,123	6,540,597	6,102,176
Total funds at 31 March 2021	22	6,577,970	336,549	6,914,519	6,540,597

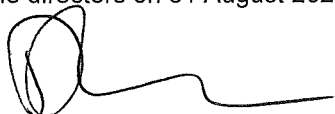
The charitable company has no recognised gains or losses other than the results for the year as set out above. All of the activities of the charitable company are classed as continuing.

The notes on pages 29 to 51 form part of the financial statements.

Changeworks Resources for Life
Balance Sheet
As at 31 March 2021

	Notes	2021 £	2020 £
Fixed assets:			
Tangible assets	12	394,784	508,431
Investments	13	10,051	5,051
		<hr/>	<hr/>
Total fixed assets		404,835	513,482
Current assets			
Debtors	14	2,835,056	2,531,883
Cash at bank and in hand		5,283,529	5,019,573
		<hr/>	<hr/>
Total current assets		8,118,585	7,551,456
Liabilities:			
Creditors: amounts falling due within one year	15	(1,507,582)	(1,435,557)
		<hr/>	<hr/>
Net current assets		6,611,003	6,115,899
		<hr/>	<hr/>
Total assets less current liabilities		7,015,838	6,629,381
Provisions for liabilities	17	(101,319)	(88,784)
		<hr/>	<hr/>
Total net assets		6,914,519	6,540,597
		<hr/>	<hr/>
The funds of the charity:	22		
Unrestricted funds		3,597,135	2,981,095
Restricted funds		336,549	286,123
Designated funds		2,980,835	3,273,379
		<hr/>	<hr/>
Total funds		6,914,519	6,540,597
		<hr/>	<hr/>

These financial statements have been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006 and were authorised for issue by the directors on 31 August 2021 and are signed on its behalf by:



Derek Redvers
Director



T Bray
Company Secretary

Company Registration Number SC103904

The notes on pages 29 to 51 form part of the financial statements.

Changeworks Resources for Life
Statement of Cash Flows
For the year ended 31 March 2021

	Notes	2021 £	2020 £
Cash flows from operating activities:			
Net cash used in operating activities	24	350,414	828,477
		<hr/>	<hr/>
Cash flows from investing activities:			
Dividends, interest and rents from investments		20,462	132,708
Purchase of property, plant and equipment		(101,920)	(132,365)
Purchase of Investments		(5,000)	-
		<hr/>	<hr/>
Net cash provided by investing activities		(86,458)	343
		<hr/>	<hr/>
Change in cash and cash equivalents in the reporting period		263,956	828,820
Cash and cash equivalents at the beginning of the reporting period		5,019,573	4,190,753
		<hr/>	<hr/>
Cash and cash equivalents at the end of the reporting period		5,283,529	5,019,573
		<hr/>	<hr/>

Analysis of changes in net debt	At the start of the year £	Cash flows £	FX movement £	Other Non-cash £	At year-end £
Cash	5,019,573	263,955	1	-	5,283,529
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	5,019,573	263,955	1	-	5,283,529
Finance lease obligations	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	5,019,573	263,955	1	-	5,283,529
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 29 to 51 form part of the financial statements.



1. General information

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable company's transactions are denominated. They comprise the financial statements of Changeworks Resources for Life.

The principal activity of Changeworks Resources for Life is developing and delivering high impact solutions to make low carbon life a positive reality for everyone.

Changeworks Resources for Life is a charitable company limited by guarantee incorporated in the United Kingdom and registered in Scotland. 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 SC015144. Details of the registered office and company registration number can be found on page 1 of these financial statements.

2. Principal accounting policies

(a) Basis of accounting

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) (second edition – October 2019)', the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Changeworks Resources for Life 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 directors 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

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

(a) Basis of accounting (continued)

a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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 charitable company's financial statements unless otherwise stated.

(b) Going Concern

Following an examination of current performance, major contracts, business environment, business development plans and reserves position, the directors are of the opinion that the charitable company can continue to meet its obligations as they fall due for the foreseeable future. As a consequence, the directors have prepared the financial statements on the going concern basis.

When reviewing Going Concern, the ongoing impact on our operations and finances of covid-19 (and both the UK and Scottish Governments responses to it) have been considered. See page 16 of the Report of the Directors.

(c) Recognition and allocation of income

Income is recognised when the company has legal entitlement to the funds, the receipt is probable, and the amount can be measured reliably.

Donation and legacy income include donations, gifts, legacies and grants that provide core funding or are of a general nature.

Income from charitable activities includes income received under contract or grant funding which is subject to specific performance conditions. Where there are performance conditions attached to any grants and donations, income is recognised when the conditions have been met or when meeting the conditions are within the charity's control and there is sufficient evidence that they have been met or will be met. Income from contracts for services is recognised at fair value (contract value) with the delivery of the service and when the stage of completion, the costs incurred and the costs to complete can be measured reliably. For Project Management contracts, the stage of completion is measured with reference to the head contract between the local authority and the Scottish Government. Where income is received in advance the income is deferred until the service has been provided.

Where a grant condition allows for the recovery of any unexpended grant, a liability is recognised when repayment becomes probable.

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

Where there are terms placed on income that limit the charity's discretion over how that income can be used, that income is shown as restricted income in the accounts.

Gift aid is treated as part of the related gift unless the donor or terms of appeal have specified otherwise and is credited when receivable.

(c) Recognition and allocation of income (continued)

Investment income is recognised on a receivable basis and is measured at transaction value.

(d) Volunteers and donated services and facilities

The value of services provided by volunteers is not incorporated into these financial statements.

(e) Recognition and allocation of expenditure

Expenditure is recognised when the charity has entered into a legal or constructive obligation and is allocated, where possible, directly to the function to which it relates.

Charitable activities include expenditure associated with supply of environmental services and include both the direct costs and support costs relating to these activities. Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources. Accommodation and central support functions including finance, ICT and HR are charged to projects. For the year ended 31st March 2021, recharges were set at £13k per full time Edinburgh-based employee.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

(f) Funds

Restricted funds are those which have been given to the charity to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund, together with a fair allocation of support costs.

Unrestricted funds are incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

Designated funds are unrestricted funds that have been earmarked by the directors for a specific purpose.

(g) Tangible fixed assets

Fixed assets are originally recorded at cost, with only assets costing in excess of £1,000 capitalised. Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset, less its estimated residual value, over its expected useful life as follows:

Equipment — 20% or 33% straight line

Fixtures & fittings — 20% straight line

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

Motor vehicles — 20% straight line

Office Alterations — shorter of 10 years or remaining life of lease

(h) Investments

Investments in joint venture entities and in a social investment are held at cost less accumulated impairment losses.

(i) Debtors

Trade debtors are amounts due from customers for goods sold or services performed. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally invoice price, less any allowances for doubtful debts.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and are measured at fair value.

(k) Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

(l) Financial assets and liabilities

Financial instruments are recognised in the balance sheet when the charity becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price.

Financial instruments are all classified as 'basic' in accordance with Chapter 11 of FRS102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the charity has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

(m) VAT

Input tax relating to some charitable expenditure is irrecoverable and is therefore reported as part of the expenditure to which it relates when directly attributable. Input tax on overheads has been apportioned accordingly and the irrecoverable portion included in note 8.

(n) Operating leases

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

(o) Pensions

Changeworks Resources for Life makes employer pension contributions, representing 8% of gross salary, for all eligible employees under The Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010. The charitable company operates a qualifying group personal pension scheme, into which contributions are paid. Changeworks staging date for auto enrolment was 1st May 2014 when all eligible employees were auto enrolled, and re-enrolment took place in 2017 and 2020.

(p) Grant making policy

Intervention funding is allocated to private sector households whose income and savings are below an agreed threshold. Funding is provided if the health of the householder would be improved by installation of a measure, such as a new heating system. Both the householder and their health care worker can make a referral to the Affordable Warmth team.

3. Critical judgements and estimates

In preparing the financial statements directors make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

No estimates or assumptions have been made in the preparation of these financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

4. Previous year's comparative SOFA

	Unrestricted funds £	Restricted funds £	Total funds 2020 £
Income and endowments from:			
Charitable activities	5,175,889	1,569,029	6,744,918
Investment Income	132,708	-	132,708
	<hr/>	<hr/>	<hr/>
Total	5,308,597	1,569,029	6,877,626
	<hr/>	<hr/>	<hr/>
Expenditure on:			
Charitable activities:	5,005,305	1,433,900	6,439,205
	<hr/>	<hr/>	<hr/>
Total	5,005,305	1,433,900	6,439,205
	<hr/>	<hr/>	<hr/>
Tfr Restricted to Unrestricted	2,128	(2,128)	-
	<hr/>	<hr/>	<hr/>
Net income/(expenditure) and movement in funds	305,420	133,001	438,421
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

5. Income from charitable activities

The sole charitable activity undertaken by the charity is the supply of environmental services.

	Unrestricted funds £	Restricted funds £	2021 Total £
Grants:			
Council grants	-	518,324	518,324
Other grants	278,716	680,347	959,063
Furlough Grant	147,965	9,312	157,277
	<u>426,681</u>	<u>1,207,983</u>	<u>1,634,664</u>
Contract income	4,359,162	-	4,359,162
Warmworks	600,000	-	600,000
	<u>5,385,843</u>	<u>1,207,983</u>	<u>6,593,826</u>
Total	<u><u>5,385,843</u></u>	<u><u>1,207,983</u></u>	<u><u>6,593,826</u></u>

Previous year comparatives	Unrestricted funds £	Restricted funds £	2020 Total £
Grants:			
Council grants	-	714,823	714,823
Other grants	-	791,619	791,619
	<u>-</u>	<u>1,506,442</u>	<u>1,506,442</u>
Contract income	4,412,025	62,587	4,474,612
Warmworks	763,864	-	763,864
	<u>5,175,889</u>	<u>1,569,029</u>	<u>6,744,918</u>
Total	<u><u>5,175,889</u></u>	<u><u>1,569,029</u></u>	<u><u>6,744,918</u></u>

Income from Warmworks comprises profit distribution and management charges from Warmworks Scotland LLP – the activities of which are in line with our own charitable activities.

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

6. Investment income

	2021 Total £	2020 Total £
Bank interest receivable	13,008	10,952
Loan interest – CWR	7,175	8,275
Dividends from social investments (see note 13)	279	275
Gift Aid donations received	-	113,206
	<hr/>	<hr/>
	20,462	132,708
	<hr/> <hr/>	<hr/> <hr/>

7. Charitable activities expenditure

	Staff costs £	Project Costs £	Support Costs (Note 8) £	2021 Total £
Supply of Environmental Services	3,746,796	641,464	1,842,667	6,230,927
Governance costs (note 8)	-	-	9,439	9,439
	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,746,796	641,464	1,852,106	6,240,366
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Previous year's comparatives	Staff costs £	Project Costs £	Support Costs (Note 8) £	2020 Total £
Supply of Environmental Services	3,694,001	966,622	1,768,389	6,429,012
Governance costs (note 8)	-	-	10,193	10,193
	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,694,001	966,622	1,778,582	6,439,205
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

8. Support and governance costs

The charity allocates its support costs as shown in the table below. Support costs are allocated on a basis consistent with the use of resources calculated on the basis of full-time equivalent employees.

	Environmental Services	Governance	2021 Total
	£	£	£
Salaries & temp staff	873,185	-	873,185
Accommodation	249,599	-	249,599
Office running costs	543,015	-	543,015
Insurance	61,414	-	61,414
Marketing	13,164	-	13,164
Staff training	24,822	-	24,822
Professional fees	76,518	8,250	84,768
Board & SMT expenses	950	1,189	2,139
Total	1,842,667	9,439	1,852,106

Previous Year's comparatives	Environmental Services	Governance	2020 Total
	£	£	£
Salaries & temp staff	682,950	-	682,950
Accommodation	387,580	-	387,580
Office running costs	534,232	-	534,232
Insurance	61,491	-	61,491
Marketing	12,226	-	12,226
Staff training	44,897	-	44,897
Professional fees	41,166	8,292	49,458
Board & SMT expenses	3,847	1,901	5,748
Total	1,768,389	10,193	1,778,582

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

9. Analysis of staff costs

	2021	2020
	£	£
Salaries and wages	3,832,832	4,120,916
Social security costs	334,633	331,198
Pension costs	301,403	304,412
Temporary staff	-	49,428
	<u>4,468,868</u>	<u>4,805,954</u>

Two employee received emoluments of between £60,000 - £70,000 during the year (2020:2). No employees received emoluments of between £70,000 - £80,000 during the year (2020:0). One employee received emoluments of between £80,000 - £90,000 during the year (2020:1).

No director received any remuneration or received any other benefits from an employment with the charity or a related entity for services as a director. No directors were reimbursed for travel expenses during the year (2020: £nil).

The key management personnel of the company comprise of the Directorate as noted on page 1. The employee benefits for key management totalled £393,791 (2020: £391,391), this includes employer NI and employer pension contributions.

The average number of employees during the year on a head count basis was 143 (2020: 146).

The average number of employees during the year, calculated on the basis of full-time equivalents, was as follows:

	2021	2020
	No.	No.
Management and administration staff	16	17
Project staff	113	114
	<u>129</u>	<u>131</u>

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

10. Net income for the year

	2021	2020
	£	£
This is stated after charging:		
Depreciation	215,567	224,521
Auditor's remuneration: audit fee	8,650	8,292
Lease payments under operating leases	122,381	141,178
Non audit fees	373	525

11. Taxation

The charitable company is exempt from corporation tax on its charitable activities.

12. Tangible fixed assets

	Equipment £	Fixtures & fittings £	Office Alterations £	Totals £
COST				
At 1 April 2020	717,960	33,480	710,790	1,462,230
Additions	101,920	-	-	101,920
Disposal of assets	-	-	-	-
At 31 March 2021	819,880	33,480	710,790	1,564,150
DEPRECIATION				
At 1 April 2020	493,487	21,556	438,756	953,799
Charge for year	114,954	4,669	95,944	215,567
Disposal of assets	-	-	-	-
At 31 March 2021	608,441	26,225	534,700	1,169,366
NET BOOK VALUE				
At 31 March 2020	224,473	11,924	272,034	508,431
At 31 March 2021	211,439	7,255	176,090	394,784

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

13. Investments

	2021 £	2020 £
Social investments	10,000	5,000
Joint ventures	51	51
	<u>10,051</u>	<u>5,051</u>

Subsidiary undertakings

The charity's investments at the balance sheet date in the share capital of subsidiary companies include the following:

Subsidiary	Activity	Ordinary £1 shares	Country of incorporation	Shareholding
Changeworks Trading Ltd SC207925	Dormant	100	UK	100%

Changeworks Trading Ltd was dormant throughout the year and therefore did not generate a profit in the year to 31 March 2021 (2020: £nil). The aggregate capital and reserves of Changeworks Trading Ltd as at 31 March 2021 was £nil (2020: £nil).

Joint ventures

a) Changeworks Recycling Limited

Changeworks holds a 50% shareholding in Changeworks Recycling Limited (SC244949). A summary of its 2020/21 trading results are shown below:

	2021 £	2020 (revised) £
Income	2,946,253	5,910,143
Expenditure	(3,050,109)	(5,289,787)
Taxation	-	(102,398)
Donations under gift aid	-	(113,208)
Profit	<u>(103,856)</u>	<u>404,750</u>
Fixed assets	257,335	391,484
Current assets	1,809,688	2,183,874
Current liabilities	(641,094)	(1,051,408)
Non-current liabilities	(350,000)	(358,399)
Provisions	(166,867)	(152,633)
Net assets	<u>909,062</u>	<u>1,012,918</u>

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

13 Investments (continued)

Joint ventures (continued)

a) Changeworks Recycling Limited (continued)

If the investment in the joint venture had been accounted for under the equity method of accounting, the effect would have been as follows:

	2021	2020
	£	(revised)
		£
Increase in carrying value of investment	454,530	506,458
Increase / (decrease) in income from investments	(51,928)	68,206
Decrease in balance of funds brought forward	506,458	304,083
Increase in net current assets	-	-

b) Warmworks Scotland LLP

On 10th June 2015, Warmworks Scotland LLP (SO305326), a joint venture owned equally by Changeworks Resources for Life, Energy Savings Trust Enterprises Limited and Everwarm, entered into a Scottish Government contract to deliver a national fuel poverty scheme over five to seven years. The initial cost of this investment was £1. A summary of the trading results is shown below:

	2021	2020
	£	£
Income	25,241,144	22,580,498
Expenditure	(23,790,898)	(22,353,588)
Profit	<u>1,450,246</u>	<u>226,910</u>
Fixed assets	45,048	64,983
Current assets	7,495,399	5,882,314
Current liabilities	(6,023,617)	(5,880,715)
Net assets	<u>1,516,830</u>	<u>66,582</u>

If the investment in the joint venture had been accounted for under the equity method of accounting, the effect would have been as follows):

	2021	2020
	£	£
Increase in carrying value of investment	505,609	22,193
Increase / (decrease) in income from investments	483,415	(188,227)
Decrease in balance of funds brought forward	22,193	210,421
Increase in net current assets	-	-

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

13 Investments (continued)

Social investments

In November 2015 Changeworks Resources for Life purchased 5,000 ordinary shares of £1 in the Edinburgh Community Solar Co-op at a cost of £5,000. The Co-op was set up to realise a large-scale solar PV project in Edinburgh and the decision was taken to invest in it to support the initiative, in line with the company's charitable objectives, rather than purely with a view to receiving financial return.

A further 5,000 £1 ordinary shares were purchased in December 2020, bringing the total holding to 10,000 £1 shares.

Dividends of £279 (2020: £275) were received during the year.

14. Debtors

	2021	2020
	£	£
<u>Amounts falling due within one year</u>		
Trade debtors	2,505,679	2,168,485
Prepayments	77,679	63,473
Amounts owing from related entities	-	-
Other debtors	9,429	1,364
Accrued income	67,269	123,561
	<hr/>	<hr/>
	2,660,056	2,356,883
<u>Amounts falling due after one year</u>		
Amounts owing from related entities	175,000	175,000
	<hr/>	<hr/>
	175,000	175,000
	<hr/>	<hr/>
Total	2,835,056	2,531,883
	<hr/> <hr/>	<hr/> <hr/>

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

15. Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	189,720	230,020
VAT	455,064	420,023
Pension contributions	38,246	35,684
PAYE & NIC	94,308	91,357
Other creditors, deferred income and accruals	730,244	658,473
	<u>1,507,582</u>	<u>1,435,557</u>

16. Deferred income

	2021	2020
	£	£
Balance brought forward	591,424	452,288
Deferred in year	2,479,681	591,424
Released to income and expenditure account	(2,456,243)	(452,288)
	<u>614,862</u>	<u>591,424</u>

Deferred income relates mainly to income received during the year for Home Energy Efficiency Programmes for Scotland (HEEPS): area-based schemes to be undertaken the following year.

17. Provisions for liabilities

	2021	2020
	£	£
Dilapidations provision		
Balance brought forward	88,784	76,250
Increase in provision for the year	12,535	12,534
	<u>101,319</u>	<u>88,784</u>

Dilapidations provision is as per an independent survey of our Newhaven Road office.

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

18. Financial assets and liabilities

	2021 £	2020 £
Financial assets at amortised cost	8,010,765	7,487,983
Financial liabilities at amortised cost	254,405	300,033

Financial assets at amortised cost comprise cash at bank and in hand, trade debtors, accrued income, other debtors, amounts owing from related entities and (for the comparative figure) amounts owing from subsidiaries.

Financial liabilities comprise accruals, trade and sundry creditors, and pension contributions.

19. Pensions

The charity operates a defined contribution scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and amounted to £301,403 (2020: £304,411).

20. Commitments under operating leases

At 31 March 2021, the charity had commitments under non-cancellable operating leases as set out below:

	2021 Land & buildings £	2021 Other £	2020 Land & buildings £	2020 Other £
Operating leases which expire:				
Within one year	18,578	53,976	63,611	66,568
Within 2 to 5 years	16,000	15,606	3,000	70,271
Over 5 years	667	-	-	-
Totals	<u>35,245</u>	<u>69,582</u>	<u>66,611</u>	<u>136,839</u>

The charity is committed to paying 40% of lease costs for a further property (not included in the table above). As a result, non-cancellable financial commitments of £79,464 will be incurred between 1 April 2021 and the lease expiry date of 2 February 2023.

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

21. Analysis of net assets between funds

	General funds	Designated funds	Restricted funds	2021 Total funds
	£	£	£	£
Tangible fixed assets	-	394,784	-	394,784
Fixed asset investments	10,051	-	-	10,051
Current assets	4,391,475	3,319,223	407,888	8,118,585
Current liabilities	(804,391)	(631,853)	(71,339)	(1,507,582)
Provisions	-	(101,319)	-	(101,319)
Net assets at 31 March 2021	3,597,135	2,980,835	336,549	6,914,519

Previous year's comparatives	General funds	Designated funds	Restricted funds	2020 Total funds
	£	£	£	£
Tangible fixed assets	-	508,431	-	508,431
Fixed asset investments	5,051	-	-	5,051
Current assets	3,630,347	3,572,187	348,922	7,551,456
Current liabilities	(654,303)	(718,455)	(62,799)	(1,435,557)
Provisions	-	(88,784)	-	(88,784)
Net assets at 31 March 2020	2,981,095	3,273,379	286,123	6,540,597

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

22. Movements in funds

	At 1 April 2020	Incoming resources	Outgoing resources	Transfers	At 31 March 2021
	£	£	£	£	£
Restricted funds					
Waste Education & Information & Prevention	35,940	155,379	(138,496)	-	52,823
Affordable Warmth Team	6,820	48,190	(53,590)	-	1,420
SE Projects Team	85,210	744,421	(714,367)	-	115,264
HI Projects Team	20,797	79,881	(100,678)	-	-
Consultancy Team	13,000	(4,734)	(8,266)	-	-
Strategy	104,216	101,846	(61,380)	-	144,682
Technical LCC	-	15,000	(15,000)	-	-
Corporate	20,140	68,000	(65,780)	-	22,360
Total restricted funds	286,123	1,207,983	(1,157,557)	-	336,549
Unrestricted funds:					
<i>Designated funds</i>					
Relocation Reserve	120,000	-	-	149,881	269,881
Dilapidations reserve	74,999	-	-	(21,195)	53,804
Fixed asset reserve	508,431	-	-	(113,647)	394,784
Investments	5,051	-	-	5,000	10,051
Warmworks parent company guarantee	750,000	-	-	-	750,000
Loans to related entities	300,000	-	-	-	300,000
Strategic Fund	1,514,898	-	-	(312,583)	1,202,315
Total designated funds	3,273,379	-	-	(292,544)	2,980,835
General fund	2,981,095	5,406,305	(5,082,809)	292,544	3,597,135
Total unrestricted funds	6,254,474	5,406,305	(5,082,809)	-	6,577,970
Total funds	6,540,597	6,614,288	(6,240,366)	-	6,914,519

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

22. Movements in funds (continued)

Previous year's comparative figures

	At 1 April 2019	Incoming resources	Outgoing resources	Transfers	At 31 March 2020
	£	£	£	£	£
Restricted funds					
Waste Education & Information & Prevention	43,353	276,788	(282,063)	(2,128)	35,950
Affordable Warmth Team	4,782	48,191	(46,153)	-	6,820
Energy Services	3,838	-	-	(3,838)	-
SE Projects Team	67,020	601,875	(587,533)	3,838	85,200
HI Projects Team	-	118,567	(97,770)	-	20,797
Consultancy Team	3,856	91,632	(82,488)	-	13,000
Strategy	30,273	111,061	(37,118)	-	104,216
Technical LCC	-	276,965	(276,965)	-	-
Corporate	-	43,950	(23,810)	-	20,140
Total restricted funds	153,122	1,569,029	(1,433,900)	(2,128)	286,123
Unrestricted funds:					
<i>Designated funds</i>					
Relocation Reserve	-	-	-	120,000	120,000
Dilapidations reserve	92,216	-	-	(17,217)	74,999
Fixed asset reserve	612,556	-	-	(104,125)	508,431
Investments	5,051	-	-	-	5,051
Warmworks parent company guarantee	750,000	-	-	-	750,000
Loans to related entities	300,000	-	-	-	300,000
Strategic Fund	2,000,000	-	-	(485,102)	1,514,898
Total designated funds	3,759,823	-	-	(486,444)	3,273,379
General fund	2,189,231	5,308,597	(5,005,305)	488,572	2,981,095
Total unrestricted funds	5,949,054	5,308,597	(5,005,305)	2,128	6,254,474
Total funds	6,102,176	6,877,626	(6,439,205)	-	6,540,597

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

22. Movements in funds (continued)

Of the £2m allocated to the Strategic Fund in 2018/19, for the implementation of our three-year strategic plan (2019/20 – 2021/22), £312,583 was utilised during the year, leaving a balance of £1,202,315.

Restricted Funds - Restricted funds are funds subject to specific trusts or public bodies' restrictions that have been awarded to Changeworks to carry out our charitable objectives within an agreed time period. Balances on restricted funds are categorised by type in the above table – there were three restricted grant that had a balance over £35k at year end. One was a project that Changeworks administers for a group called Under One Roof and holds as restricted income, the other two were an Energy Advise project and a Waste project.

Restricted fund income of Changeworks in 2020/21 was £1,207,983 split over the different charitable deliverables that the Charity engage in, namely fuel poverty, waste or volunteer programmes and research. There were 16 projects in the year delivering these mainly grant-funded services.

Six grants that were awarded were individually in excess of 7% of the total; namely the City of Edinburgh Council waste free programme (£94K), the City of Edinburgh energy services to promote our affordable warmth strategy (£190K), the Energy Savings Trust to give grants to families and individuals to help alleviate fuel poverty as a result of Covid (£250K), Scottish Power to promote our affordable warmth strategy in the Highlands and Islands (£80k), EON to promote our affordable warmth strategy in the Highlands & Islands (£150K) and Scottish Borders Council project to promote our affordable warmth strategy in the Scottish Borders (£127K).

Fund Transfers: There were no transfers between restricted and unrestricted funds in 2020-21. Had there been any transfer of funds it would have reflected where any restrictions placed on the fund have been fully met and so the fund is now unrestricted.

Purpose of designated funds:

Dilapidations Reserve: The fund designated by the Board to cover renovation, decoration and dilapidation commitments of our various office leases.

Fixed Asset Reserve: The fund designated by the Board to represent the level of general fund not available for immediate use due to being tied up in fixed assets.

Investments: The fund designated by the Board to represent the level of general fund not available for immediate use due to being tied up in illiquid investments.

Loans to group companies: The fund designated by the Board to represent the level of general fund not available for immediate use due to being either loaned to group companies or ring-fenced as a potential future loan. See note 23.

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

22. Movements in funds (continued)

Strategic fund: The fund designated by the Board to cover additional costs of implementing the first three years of our new strategic plan. This includes expenditure on charitable activities not covered by external funding.

Relocation reserve: a fund to cover costs of relocation should this take place when the existing lease on our Edinburgh HQ ends in February 2023.

Warmworks Parent Company Guarantee: The fund designated by the Board to cover our maximum potential exposure under the Scottish Government HEEPS 2 contract (delivered by Warmworks).

23. Related parties

Related party transactions and year-end balances are disclosed in the tables below:

Related Party	Nature of relationship	Sales	Purchases	Debtor Balance	Creditor Balance
		£	£	£	£
Changeworks Recycling Limited	50% owned by Changeworks Resources for Life	89,554	(54,234)	8,668	(4,741)
Warmworks Scotland LLP	Joint venture - one third owned by Changeworks	624,054	-	790,285	-
Stop Climate Chaos Scotland	Chief Executive, Teresa Bray, was a director until 5/6/18. Common director Mary Church from 5/6/18 to 12/1/21.	-	(2,600)	-	-

The company has loaned £175,000 to Changeworks Recycling Limited. The loan has a six-year term and accrues interest at 4% above Bank of England base rate. Interest totalling £nil (2020: £nil) was outstanding at year-end.

The company also has a further £125,000 loan available (but not yet drawn down) to Changeworks Recycling Limited. This loan has a three-year term and accrues interest at 4% above Bank of England base rate.

Changeworks Resources for Life holds a floating charge over the assets of Changeworks Recycling in respect of the above loans.

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

24. Reconciliation of net income to net cashflow from operating activities

	2021	2020
	£	£
Net income for the year	373,922	438,421
Adjustment for:		
Depreciation charges	215,567	224,521
Dividends, interest and rents from investments	(20,462)	(132,708)
Loss(profit) on sale of fixed assets	-	11,969
(Increase)/decrease in debtors	(303,173)	(98,239)
Increase/(decrease) in creditors	72,025	371,979
Increase in provisions	12,535	12,534
Net cash used in operating activities	<u>350,414</u>	<u>828,477</u>

25. Going Concern and Post Balance Sheet Events

There are no significant post balance sheet events, other than the gradual easing of Covid-related restrictions on our operations.

Our 2021/22 budget has incorporated the expected impact of ongoing Covid restrictions, and financial performance so far has been in line with budget.

The Directors are satisfied that confirmed funding and existing reserves are more than sufficient to ensure that the charity can continue to operate for at least twelve months from the date of approval of these accounts.

26. Big Lottery Fund Grants

During 2020/21 the charity was in receipt of one Big Lottery Fund grant, as follows:

Reference	ID 10248975
Project name	Canny Tenants
Income	£100,147
Expenditure	£100,338
Balance	£nil

27. Other non-audit services

We do not engage our auditor to provide non-audit services.

Changeworks Resources for Life
Notes to the Financial Statements
For the year ended 31 March 2021

28. Results by delivery goal

As detailed in the directors' report, our charitable activities can be categorised into four delivery goals. The following tables analyse our financial results by delivery goal (though treat as indicative as many of our activities align to more than one goal).

Support costs not capable of being attributed to one specific goal are allocated across the four goals pro rata to income.

Comparatives for the previous year show a material drop in value of goal 3 activity (Integrated Community Approach to Low Carbon Living) which is due to this being the area of our work that was most impacted by Covid-related lockdowns.

2020/21	Income	Expenditure	Surplus
	£	£	£
Goal 1: Energy efficiency of buildings	1,546,663	(1,511,953)	34,710
Goal 2: Renewable and low carbon solutions	928,007	(1,015,677)	(87,670)
Goal 3: Low carbon living	404,949	(498,711)	(93,762)
Goal 4: Fuel poverty reduction	3,734,669	(3,214,025)	520,644
Totals	6,614,288	(6,240,366)	373,922

Comparative year 2019/20	Income	Expenditure	Surplus
	£	£	£
Goal 1: Energy efficiency of buildings	1,479,880	(1,389,742)	90,138
Goal 2: Renewable and low carbon solutions	746,482	(814,104)	(67,622)
Goal 3: Low carbon living	1,383,357	(1,270,572)	112,785
Goal 4: Fuel poverty reduction	3,267,907	(2,964,787)	303,120
Totals	6,877,626	(6,439,205)	438,421

29. Capital commitments

A project is underway to develop and implement a new finance system, Microsoft Business Central, under which £38k of software development costs were committed under contract at the financial year-end.

**Contact us**

Get in touch to discuss how we could help you.

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