



CHANGeworks RESOURCES FOR LIFE (A COMPANY LIMITED BY GUARANTEE) REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2023

Company Registration Number: SC103904

Charity Number: SC015144

CHANGeworks.

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Report of the Directors

(Including Strategic Report)

The directors present their report and the audited financial statements for the year ended 31 March 2023.

Reference and administrative details

Charity Number: SC015144 Company Number: SC103904

Directors

Derek Redvers, Chair	Abi Gardner
Joanne O'Hara, Vice Chair	Steven Russell
Eleanor Bird	Lindsay Scott
Nigel Douglas	Nicola Walters

Company Secretary

Teresa Bray (resigned 16/9/22)
Josiah Lockhart (appointed 19/9/22)

Directorate

Josiah Lockhart, Chief Executive (appointed 19/9/22)
Teresa Bray, Chief Executive (resigned 16/9/22)
Liz Partington, Deputy Chief Executive
Graeme Farmer, Finance & Resources Director
Paul Thom, Technical Director
Laura Webb, Fuel Poverty and Low Carbon Operations Director

Auditor

Chiene + Tait LLP, (Trading as CT) Chartered Accountants and Statutory Auditor, 61
Dublin Street, Edinburgh, EH3 6NL

Bankers

The Co-operative Bank plc, 1 Balloon Street, Manchester, M60 4EP
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
MacRoberts LLP, 10 George Street, Edinburgh, Scotland, EH2 2PF

Registered Office and operation address

36 Newhaven Road, Edinburgh, EH6 5PY

Review of the year from Chief Executive



In the context of the escalating climate emergency, Changeworks is scaling up its commitment to tackling it head on. In 2022, Changeworks launched an ambitious strategy with the aim of leveraging our over 35 years of expertise, skills and resources to accelerate the impact we have on the environment and people's lives. Throughout the last year we have laid the foundations for the growth of our services and impact in order to achieve our strategic goal of decarbonising Scotland's homes.

In the financial year 2022-23, we refined our focus on decarbonising Scotland's homes and deployed nearly £1mil of our strategic fund. This resulted in an exponential increase in our growth in the size of our organisation and, more importantly, in our impact. In addition, we re-aligned our services towards our refined mission, which included selling our shares in Change Waste Recycling (formerly Changeworks Recycling).

Through that investment we grew our staff team by 35% as well as our overall income by 24% (not including the sale of Changeworks Recycling). This enabled us to increase our lifetime carbon savings resulting from measures installed by 42% to 370k tons, as well as decreasing our overall cost per ton of carbon saved by 20%. The work and support provided by our dedicated teams also resulted in over 67k householders taking tangible action to decarbonise over the year.

Our work to ensure the route to decarbonisation is a just one that saw us more than double our direct impact on householders in fuel poverty, with over £4m saved through support with energy bills and income maximisation.

A big focus of the first year of our new strategy was to develop new services that will be launched over the next couple of years and scaled up over the rest of the decade. This includes an Energy Conscious tenants service as well as EcoCosi, a retrofit service for owner occupiers designed to simplify the process of decarbonising homes for both the householder and supply chain.

Through the prioritisation of developing new services, we can identify gaps in support for householders across the country and innovate solutions to accelerate tackling the climate emergency through the decarbonising Scotland's homes.

The year has demonstrated the incredible capacity for growth and impact of our staff, volunteers, and partners. As we collectively work towards the 2030 climate goals, we will continue to build on this ambition to scale our impact on Scotland's homes and the lives of those who live in them.

Objectives and activities

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

Changeworks' 2022-25 strategy aims to drive the decarbonisation of homes in Scotland, delivering improved energy efficiency and the installation of renewable and low-carbon heating. By focussing on decarbonising homes, we are maximising our contribution to tackling the climate emergency.

We will increase our impact from a strong base by expanding delivery through growing existing services, such as delivering area-based schemes, alongside developing additional services to reach new markets and accelerate decarbonisation.

The strategy is developed around five goals:

1. Engage: to identify and engage households across Scotland to take action to decarbonise their homes
2. Support: to support households to install energy efficiency and low-carbon heating systems to decarbonise their homes
3. Innovate: to innovate delivery models and solutions for heat and energy systems for homes
4. Accelerate: to accelerate decarbonisation through research, evaluation, dissemination and influencing
5. Grow: to grow the capacity and capability of Changeworks to rapidly scale impact

Throughout the strategic period 2022-25 we will aim to support 28,000 homes to install energy efficiency measures and renewables; to provide advice to 226,000 householders; and to provide in-depth support to 10,000 households in fuel poverty.

Goal 1: Engage: to identify and engage households across Scotland to take action to decarbonise their homes

Our objectives under this goal are:

- Develop decarbonisation and affordable warmth strategies and plans for communities and social housing to inform our approach to decarbonising homes
- Create demand for our services particularly through digital channels to grow our engagement with households building longer-term relationships
- Scale our approach to place-based community empowerment and engagement, being inclusive and driving economies of scale
- Deliver, develop, and scale the provision of information and advice to householders resulting in them taking action to decarbonise their home through the installation of physical measures
- Provide and develop services to support people to adopt low carbon behaviours in the home, improving the utilisation of heating systems and ameliorating fuel poverty
- Provide support to households who are in critical and immediate need with their energy and heating

Progress

While objectives under this goal have been affected by the energy crisis and recruitment challenges, we have succeeded in:

- Increasing our market share of decarbonisation strategies, meeting operational targets to engage customers;
- Building and testing our digital presence;
- Designing and launching a new service for tenants and developing our approach to community engagement.

In the next year we will target further new service development, launch community engagement pilots, consolidate our position on delivering strategies and planning work for local authorities, as well as continuing to expand and develop our information and advice offerings across all our contracts, including fuel poverty alleviation services.

Goal 2: Support: to support households to install energy efficiency and low-carbon heating systems to decarbonise their homes

Our objectives under this goal are:

- Expand our delivery of Scottish Government installation programmes to increase the scale of our impact
- Develop and scale up our services to support Social Housing providers to accelerate decarbonisation of their housing stock
- Create, deliver, and scale services to support self-funding owners to accelerate large scale decarbonisation
- Create and deliver a bundle of installation support services where measures are being installed to maximise savings and comfort, and minimising carbon emissions
- Engage and build our relationship and role with the supply chain to ensure we can accelerate growth in quality installs across the areas we operate.

Progress

We have been developing and growing the Project Management and Net Zero Programme Development teams to source, win and deliver these contracts. We continue to support households in the self-funded market via our advice centre contracts. We are developing our new retrofit agency, EcoCosi, in order to rapidly scale our impact in this market. We are also continuing to develop and build a new service which supports households who have made installations through contracted programmes.

Goal 3: Innovate: to innovate delivery models and solutions for heat and energy systems for homes

Our objectives under this goal are:

- Innovate new business models to create and develop services to accelerate the adoption of decarbonisation measures across tenures
- Investigate solutions to enable smart and local energy systems that support the decarbonisation of a greater number of homes while protecting the integrity of the National Grid
- Identify and integrate technical solutions and approaches to increase deployment of and connections to communal, local and district heat networks
- Develop whole house retrofit solutions for common Scottish house archetypes delivering healthy homes for occupants with reduced carbon emissions

Progress

Innovating new business models to create and develop services and investigating solutions to enable SMART and local energy systems are all ideas that we continue to pursue via internal research projects, partnership and discussion. Only by exploring these ideas further and being open to new approaches and ideas will we be able to realise our strategic aims.

Goal 4: Accelerate decarbonisation through research, evaluation, dissemination and influencing

Our objectives under this goal are:

- Learn from others and undertake research to further develop understanding, thinking and knowledge to inform our current and future delivery
- Disseminate knowledge, expertise, and insights to support the decarbonisation of homes in Scotland
- Influence the development of a supportive operating environment of policies, regulations, and funding, working with partners

Progress

Research to inform our current and future delivery, along with evaluation and dissemination of those findings and results, is a vital component of successfully achieving our strategy and growing our services. Delivery under this goal is primarily made by the Consultancy team and the Marketing, Digital and Communications team. Both teams have been working hard to improve the visibility and impact of our research. We have developed our influencing strategy and identified the key areas we will be focusing on. We will continue to use our expertise, voice and influence to accelerate home decarbonisation.

Goal 5: Grow the capacity and capability of Changeworks to rapidly scale impact

Our objectives under this goal are:

- Transform our approach to developing our people and culture to strengthen our capacity and capability to enable our rapid growth
- Drive continual improvement of management systems and processes to ensure we are operating efficiently and effectively whilst managing risk as we scale
- Ensure our infrastructure and ways of working enable staff to manage projects, collaborate and communicate effectively
- Revolutionise the management of our knowledge and data to ensure it's well-managed, accessible, and usable
- Continue to reduce our carbon emissions as we grow

- Build our brand and visibility to enable us to reach and engage wider audiences to ensure marketing drives people to engage and take action
- Develop our digital capabilities to transform our digital presence and enable us to digitise our services to reach and serve more people
- Develop and maintain an integrated organisational householder journey to unify our services offers and identify gaps to ensure customer needs are met
- Power the delivery of our mission through maintaining a pipeline of new projects to meet customer needs and improve our customer journey alongside growing our income and partnerships
- Define and develop the capabilities we will need in the future as we scale

Progress

We are focused on building the infrastructure required to support the organisation's growth. We have seen great progress on the digital, marketing and communications objectives, including the delivery of the brand refresh, audience segmentation and new website, as well as work on accreditations and compliance. We have further embedded the new finance system and are work is successfully underway for our head office relocation. Significant progress has been made in business improvement and efficiency projects and progress towards increasing organisational knowledge of service design principles. Our organisational-wide business development function is now fully resourced.

In the next year we will be focusing on customer journey improvements, specific digital projects and Equality, Diversity and Inclusion work.

Changeworks' Impacts 2022-23

This report gives a high-level overview of Changeworks annual impacts for 2022-23 across the following key areas:

- Carbon savings (including cost per tonne of carbon saved)
- Financial savings
- Householders supported
- Measures installed: including insulation and low carbon technology (categorised as low and high carbon measures¹ and by type of measure.)

¹ Low carbon measures have been classified as those with savings of 1-12 CO₂e tonnes / lifetime and high carbon measures are anything above that; those installed by Changeworks have a range of 30-108 CO₂e tonnes / lifetime.

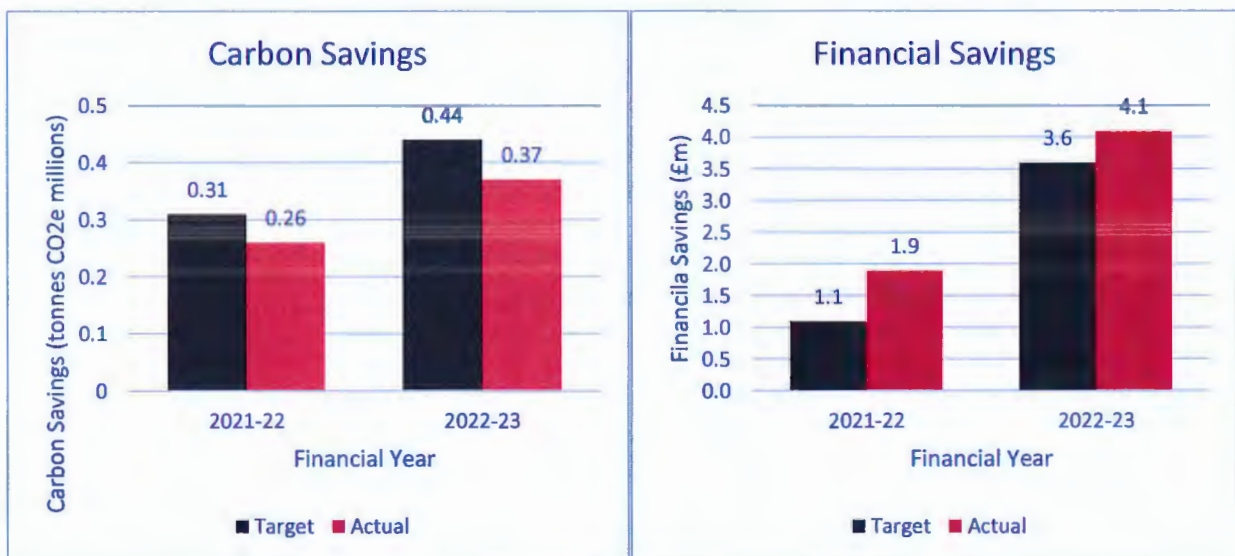
Impact results

In 2022-23, our work at Changeworks culminated in:

- **370,000 tonnes of carbon saved** over the lifetime of measures installed, a 42% increase from last year
- **£4.06M saved** for householders through energy bills or income maximisation, a 116% increase from last year
- **67,000 households taking decarbonisation action** with our support, a 22% increase from last year
- **4,400 insulation measures** installed, a 22% increase from last year
- **3,300 low carbon measures** installed, a 100% increase from last year

Impact		2022-23
Carbon savings (tonnes CO2e / lifetime)		0.37m
Cost per tonne of carbon saved (£ per tonnes CO2e/lifetime)		23.33
Financial savings (£)		4.1m
Householders supported		67k
Insulation measures installed	Low impact	2.8k
	High impact	1.6k
	Total	4.4k
Low carbon measures installed	Low impact	1.3k
	High impact	0.5k
	Total	1.8k

Impact against targets:



Although we have not met our ambitious targets, there was a focus in the first year of our strategic plan on building capacity and identifying routes to increase our impact – laying the foundations to meet our targets going forward.

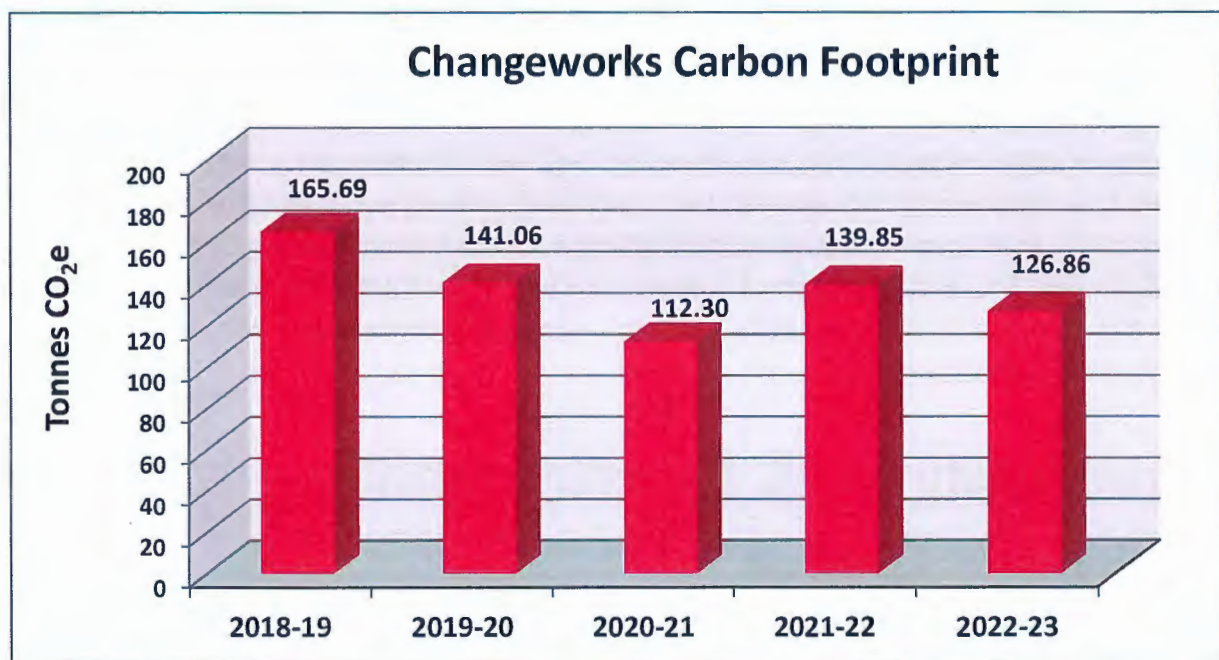
Next steps

In the next quarter, the priorities for monitoring and assessing Changeworks' impact are to review and update our current methods/conversion factors for quantifying carbon reductions and financial savings resulting from our activity and apply this to figures in 2022-23 and 2021-22 (for comparative purposes).

Carbon Footprint

Understanding Changeworks' carbon footprint and limiting this as much as possible is a vital aspect in acting as an exemplar organisation.

In 2022-23 our carbon footprint was 127 tonnes CO₂e, which is a decrease of 13 tonnes CO₂e (9%) from the revised 2021-22 figure of 140 tonnes CO₂e.



This equates to 0.68 tonnes CO₂e per Full-Time Equivalent employee (FTE), which is an 11% decrease from the 2021-22 figure of 0.97 tonnes CO₂e.

Our carbon footprint 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). It is also based on the Task Force on Climate-Related Financial Disclosure (TFCD) which sets out corporate reporting

approaches for transition and physical risks. Our approach has been externally validated by Carbon Footprint Ltd to ensure it meets all relevant standards.

Our calculation includes the following emissions:

- 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 and heat that is purchased by the organisation
- Scope 3 - All other indirect emissions resulting from activities that are neither owned nor controlled by the entity, including emissions related to the use of consumer goods, transportation, waste treatment, and employee travel and home working.

Since 2018-19, our carbon reduction and offsetting activities have enabled us to be recognised as a Carbon Neutral Organisation.

Interventions put in place by our Carbon Reduction Team (CRT) have contributed to the reduction in our carbon footprint, e.g. an updated Environmental Policy, promotion of our travel hierarchy and active travel and free energy saving home measures offered to staff.

In 2020-21, a new approach to the Carbon Reduction Plan introduced targets aimed at reducing our carbon footprint to 70% of our 2018-19 per FTE calculation by 2030. This equates to a challenging 14% year-on-year reduction, with a view to becoming true net zero by 2040, reflecting the Scottish Government's ambition at that time. Our reduction in 2022-23 was 9%, which is short of our target. The focus of the CRT to achieve target reductions next year is on direct action around behavioural change, in particular home energy use and transportation.

Accreditations & Certifications

We hold the following accreditations:

- Investors in People (Platinum status)
- Investing in Volunteers
- ISO 14001 (Environmental Management System)
- ISO 9001 (Quality Management)
- Living Wage Employer
- Cycle Friendly Employer
- Carbon Footprint Standard – Carbon Neutral Organisation

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 2022-23 Warmworks helped 5,478 households, resulting in carbon savings of 4,609 TCO₂.

Changeworks Recycling

Changeworks sold its 50% stake in Changeworks Recycling (now Change Waste Recycling) in February 2023.

Financial Review

The charity made a surplus of £106k (2022: £253k deficit).

Our financial performance was positively impacted by the sale of our 50% stake in Changeworks Recycling, and negatively impacted by the £128k loss on restricted funds (which relates to timing of grant receipts), giving an underlying deficit of £542k:

Analysis of surplus / (deficit)	£	
Surplus	105,985	
Add deficit on restricted funds	128,197	timing of grant receipts
Less profit on sale of investment	(776,299)	one-off exceptional item
Underlying result	(542,117)	
Budget	(721,770)	
Performance against budget	179,653	

Underlying performance was £180k better than budget.

The charity had budgeted to make a £721k deficit due to the planned spend of excess reserves, via utilisation of the ring-fenced £3.5m Strategic Fund set up to self-finance critical elements of our three-year Strategic Plan. £1m of this fund was spent in 2022-23.

Income grew by 25% to £9.0m (2022: £7.2m), in line with budgeted income of £9.1m.

Total reserves have increased slightly to £6.8m (2022: £6.7m), of which £1m (2022: £1m) is unrestricted (available for charitable use without restriction or designation). Although this does represent a small increase in unrestricted funds, it remains £0.3m short of the minimum reserves level set by the Board.

Designated Funds

Following annual review, the Board has agreed to designate £5.6m of charitable funds as follows:

- Dilapidations Reserve: £30k to cover renovation, decoration and dilapidation commitments of our various office leases.
- Fixed Asset Reserve: £411k 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: £2.5m to self-fund elements of our three-year Strategic Plan (two years remaining). This is the remaining amount of £3.5m set aside by the Board for this purpose at the start of financial year 2022-23.
- Investments: £10k funds tied up in non-liquid investments (Warmworks Scotland LLP and the Edinburgh Community Solar Co-operative).
- Investment Fund: £901,299 which represents the increase in the reserves position from the sale of our holding in Changeworks Recycling which has been ringfenced for future investment.
- Warmworks member's security: £750k to cover the maximum drawdown against our Warmworks member's security.
- Relocation reserve: £1m to cover the estimated cost of relocating from the current Edinburgh office in Newhaven Road to our new office in Orchard Brae. The bulk of this relates to the fit-out cost of the new office.

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 annually by the Board.

The Board estimates that, after removing designated funds, unrestricted reserves of £1.3m (2022: £1.2m) are required to cover operational risk.

The level of unrestricted reserves is monitored by the Board on a quarterly basis, and by the Directorate monthly. As of 31 March 2023, total unrestricted funds were £6.7m (2022: £6.4m).

After removing the above designated funds, the general fund stood at £1m (2022: £1m) which is £300k short (2022: £200k) of the minimum level required as per the Board’s calculation of operational risk. Directors will keep this shortfall under review, mindful that £920k of the Strategic Fund is not yet allocated to specific projects and can be transferred back to General Fund if required.

Risk management

The directors have assessed the risks to which the charitable company is exposed, as outlined in the Risk Register which is reviewed regularly by the Directorate and the Audit and Risk Committee and approved annually by the Board. Mitigation strategies / controls are in place for all identified risks.

There are no risks categorised as ‘severe’ in the current risk register (approved by the Board April 2023) but seven are categorised as ‘major’:

Risk summary	Controls / mitigations
Business Development efforts losing strategic focus due to BD staff sitting in specific teams.	Business Development teams have been merged into a centralised Net Zero Programme Development team with an oversight group.
Challenges with recruitment negatively impacting our growth and/or quality of our work.	HR has recently reviewed and revised our recruitment strategy and is developing a Workforce Plan.
Failing to take advantage of evolving digital technologies.	A series of digital summits taking place to ensure clear leadership, governance and management of our digital transformation.
High inflation levels, particularly in relation to wage inflation, threatens our financial sustainability.	Pay awards are carefully considered, and factored into contracts and funding applications.
The Scottish Government’s establishment of a National Energy Agency risks the continuity and/or shape of many of our major contracts.	We are attempting to actively influence the direction of the Agency both directly and also through our membership of relevant networks.

Risk summary	Controls / mitigations
Distributions from our joint venture Warmworks may be adversely impacted by reduced profitability prospects of the new Warmer Homes Scotland contract.	Financial impact has been carefully modelled and forecast, and the results incorporated conservatively into the charity's budget.
Ineffectively prioritising our work risks failing to deliver our strategy effectively.	Directorate has prioritised our strategic objectives, and targeted resource on key blockers and critical projects.

Plans for future periods

As outlined in this report, the first year of Changeworks' 2022-25 strategic period focused on evolving Changeworks' capabilities to grow our impact through investment in transformational activities. This will enable Changeworks to grow existing and launch new services to further scale up our reach and impact over the next two years.

For the period 2025-30, we plan to continue focusing on our strategic ambition to drive the decarbonisation of homes in Scotland, delivering improved energy efficiency and the installation of renewable and low-carbon heating, all whilst providing fuel poverty alleviation and prevention services to ensure a just transition to net zero. We will develop more specific plans during 2024-25 to cover the next three years. In preparation, we are undertaking work to understand and develop the capabilities we will require in the future to accelerate our growth further.

Structure, governance and management

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 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 dormant trading subsidiary, Changeworks Trading Limited, and has a one-third interest in Warmworks Scotland LLP, which was established in June 2015.

Appointment of Directors

The maximum number of directors is ten and a minimum of six – 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

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 Manager 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.

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.

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

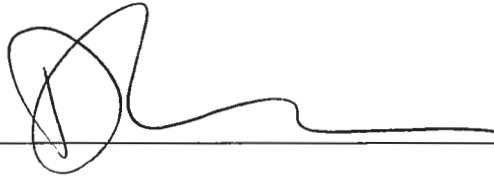
Directors

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 3. 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).

The Directors' Report and Strategic Report are approved by the Board of Directors on 21 August 2023 and signed on its behalf by:

Director

A handwritten signature in black ink, consisting of a large, stylized initial 'D' followed by a long, horizontal, slightly wavy line.

Derek Redvers

Independent auditor's report to the members and directors

Opinion

We have audited the financial statements of Changeworks Resources for Life (the charitable company) for the year ended 31 March 2023 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 2023 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report, which includes the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on page 18, 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.

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:

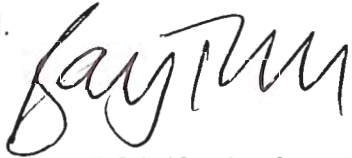
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the directors and key management personnel;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with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

CT

Chartered Accountants and Statutory Auditor

61 Dublin Street

Edinburgh

EH3 6NL

Date: 24 August 2023

CT is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Statement of Financial Activities

Statement of Financial Activities		Unrestricted funds	Restricted funds	Total funds 2023	Total funds 2022
	Notes	£	£	£	£
Income and endowments from:					
Charitable activities	5	8,099,483	907,878	9,007,361	7,180,388
Investment income	6	144,600	-	144,600	15,202
Total		8,244,083	907,878	9,151,961	7,195,590
Expenditure on:					
Charitable activities:	7	8,834,678	987,597	9,822,275	7,448,834
Total		8,834,678	987,597	9,822,275	7,448,834
Net gains/(loss) on investments	13	776,299	-	776,299	-
Net income/(expenditure)		185,704	(79,719)	105,985	(253,244)
Transfer Restricted to Unrestricted		48,478	(48,478)	-	-
Net income/(expenditure) and movement in funds		234,182	(128,197)	105,985	(253,244)
Reconciliation of funds:					
Total funds at 31 March 2022	22	6,421,852	239,423	6,661,275	6,914,519
Total funds at 31 March 2023	22	6,656,034	111,226	6,767,260	6,661,275

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 28 to 52 form part of the financial statements

Balance sheet

Balance Sheet	Notes	2023 £	2022 £
Fixed assets:			
Tangible assets	12	411,028	378,236
Investments	13	10,001	10,051
Total fixed assets		421,029	388,287
Current assets:			
Debtors	14	3,366,894	2,499,110
Cash at bank and in hand		4,735,018	5,041,360
Total current assets		8,101,912	7,540,470
Liabilities:			
Creditors: amounts falling due within one year	15	(1,755,681)	(1,007,405)
Net current assets		6,346,231	6,533,065
Total assets less current liabilities		6,767,260	6,921,352
Provisions for liabilities	17	-	(260,077)
Total net assets		6,767,260	6,661,275
The funds of the charity:			
Unrestricted funds	22	1,013,097	988,565
Designated funds		5,642,937	5,433,287
Restricted funds		111,226	239,423
Total funds		6,767,260	6,661,275

These financial statements were authorised for issue by the directors on 21 August 2023 and are signed on its behalf by:



Derek Redvers
Director



Josiah Lockhart
Company Secretary

Company Registration Number SC103904

The notes on pages 28 to 52 form part of the financial statements.

Statement of Cash Flows

Statement of Cash Flows	Notes	2023 £	2022 £
Cash flows from operating activities:			
Net cash used in operating activities	24	(960,728)	(67,080)
Cash flows from investing activities:			
Dividends, interest and rents from investments		144,600	15,202
Purchase of property, plant and equipment		(266,563)	(190,291)
Sale of Investments		776,349	-
Net cash provided by investing activities		654,386	(175,089)
Change in cash and cash equivalents in the reporting period		(306,342)	(242,169)
Cash and cash equivalents at the beginning of the reporting period		5,041,360	5,283,529
Cash and cash equivalents at the end of the reporting period		4,735,018	5,041,360

Analysis of changes in net debt	At the start of the year	Cash flows	FX movement	Other Non-cash	At year-end
	£	£	£	£	£
Cash	5,041,360	(306,541)	199	-	4,735,018
	5,041,360	(306,541)	199	-	4,735,018
Finance lease obligations	-	-	-	-	-
Total	5,041,360	(306,541)	199	-	4,735,018

The notes on pages 28 to 52 form part of the financial statements

Notes to 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 3 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 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.

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. 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.

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.

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 2023, 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

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) 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.

m) 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.

n) Operating leases

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.

4. Previous year's comparative Statement of Financial Activities

Previous Year Statement of Financial Activities	Unrestricted funds £	Restricted funds £	Total funds 2022 £
Income and endowments from:			
Charitable activities	5,831,192	1,349,196	7,180,388
Investment Income	15,202	-	15,202
Total	5,846,394	1,349,196	7,195,590
Expenditure on:			
Charitable activities:	6,002,512	1,446,322	7,448,834
Total	6,002,512	1,446,322	7,448,834
Transfer Restricted to Unrestricted	-	-	-
Net income/(expenditure) and movement in funds	(156,118)	(97,126)	(253,244)

5. Income from charitable activities

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

Income from charitable activities	Unrestricted funds	Restricted funds	2023 Total
	£	£	£
Grants:			
Council grants	-	155,032	155,032
Other grants	13,800	752,846	766,646
Furlough Grant	-	-	-
	13,800	907,878	921,678
Contract income	7,287,622	-	7,287,622
Warmworks	798,061	-	798,061
Total	8,099,483	907,878	9,007,361

Previous year comparatives	Unrestricted funds	Restricted funds	2022 Total
	£	£	£
Grants:			
Council grants	-	631,812	631,812
Other grants	14,950	710,307	725,257
Furlough Grant	4,178	-	4,178
	19,128	1,342,119	1,361,247
Contract income	5,022,026	7,077	5,029,103
Warmworks	790,038	-	790,038
Total	5,831,192	1,349,196	7,180,388

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.

6. Investment income

Investment income	2023 Total £	2022 Total £
Bank interest receivable	29,376	7,459
Loan interest – Changeworks Recycling	1,691	7,337
Dividends from social investments (see note 13)	325	406
Gift Aid donations received	113,208	-
Total	144,600	15,202

7. Charitable activities expenditure

Charitable activities expenditure	Staff costs £	Project Costs £	Support Costs (Note 8) £	2023 Total £
Supply of Environmental Services	5,614,405	1,060,539	3,126,768	9,801,712
Governance costs (note 8)	-	-	20,563	20,563
Total	5,614,405	1,060,539	3,147,331	9,822,275

Previous year's comparatives	Staff costs £	Project Costs £	Support Costs (Note 8) £	2022 Total £
Supply of Environmental Services	4,546,243	658,299	2,229,198	7,433,740
Governance costs (note 8)	-	-	15,094	15,094
Total	4,546,243	658,299	2,244,292	7,448,834

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.

Support and governance costs	Environmental Service	Governance	2023 Total
	£	£	£
Salaries & temp staff	1,548,336	-	1,548,336
Accommodation	416,007	-	416,007
Office running costs	521,661	-	521,661
Insurance	111,093	-	111,093
Marketing	131,499	-	131,499
Staff training	72,372	-	72,372
Professional fees	325,800	20,073	345,873
Board & SMT expenses	-	491	491
Total	3,126,768	20,563	3,147,331

Professional fees have increased from 2022 due to spend on office move (£54k), sale of investment (£24k) and development of brand, website and market position (£114k).

Previous year's comparatives	Environmental Service	Governance	2022 Total
	£	£	£
Salaries & temp staff	979,344	-	979,344
Accommodation	478,443	-	478,443
Office running costs	534,747	-	534,747
Insurance	62,912	-	62,912
Marketing	8,318	-	8,318
Staff training	66,331	-	66,331
Professional fees	99,103	9,650	108,753
Board & SMT expenses	-	5,444	5,444
Total	2,229,198	15,094	2,244,292

9. Analysis of staff costs

Staff Costs	2023 £	2022 £
Salaries and wages	5,691,416	4,467,474
Social security costs	533,972	368,427
Pension costs	449,300	351,362
Temporary staff	137,191	34,873
Total	6,811,879	5,222,136

Number of employees receiving emoluments (salary plus National Insurance contributions) during the year over £60,000.

Employee emoluments	2023	2022
Between £60,000 and £70,000	0	1
Between £70,000 and £80,000	2	3
Between £80,000 and £90,000	2	0
Between £90,000 and £100,000	0	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 (2022: £nil).

The key management personnel of the company comprise of the Directorate as noted on page 3. The employee benefits for key management totalled £443,763 (2022: £409,358), this includes employer NI and employer pension contributions.

The average number of employees during the year on a head count basis was 200 (2022: 162). The average number of employees during the year, calculated on the basis of full-time equivalents, was as follows:

Employee numbers	2023 No.	2022 No.
Management and administration staff	24	23
Project staff	162	122
Total	186	145

10. Net income for the year

This is stated after charging:	2023 £	2022 £
Depreciation	228,157	206,839
Auditor's remuneration: audit fee	10,950	9,650
Lease payments under operating leases	187,410	120,300

11. Taxation

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

12. Tangible fixed assets

Fixed assets	Equipment £	Fixtures & fittings £	Office Alterations £	Totals £
COST				
At 1 April 2022	858,052	30,945	710,790	1,599,787
Reclassification	(2,326)	(10,104)	12,430	-
Additions	266,563	-	-	266,563
Disposal of assets	(6,706)	-	(710,790)	(717,497)
At 31 March 2023	1,115,583	20,841	12,430	1,148,854
DEPRECIATION				
At 1 April 2022	563,167	27,688	630,696	1,221,551
Reclassification	(2,326)	(8,067)	10,393	-
Charge for year	144,806	1,220	82,131	228,157
Disposal of assets	(1,093)	-	(710,790)	(711,883)
At 31 March 2023	704,554	20,841	12,430	737,825
NET BOOK VALUE				
At 31 March 2022	294,885	3,257	80,094	378,236
At 31 March 2023	411,028	-	-	411,028

Opening balances have been restated in line with new classifications as per the new finance system, Business Central. Aggregate amount remains the same.

13. Investments

	2023 £	2022 £
Social investments	10,000	10,000
Joint ventures	1	51
Total	10,001	10,051

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 2023 (2022: £nil). The aggregate capital and reserves of Changeworks Trading Ltd as at 31 March 2023 was £nil (2022: £nil).

Joint ventures

a) Changeworks Recycling Limited

Changeworks sold its 50% shareholding in Changeworks Recycling Limited (SC244949) on 10 February 2023. The shareholding had previously been carried at cost of £50.

The profit on sale of investment figure of £776,299 (2022: £nil) comprises:

Joint ventures	2023 £	2022 £
Proceeds from share buyback	776,349	-
Less carrying value of investment	(50)	-
Total	776,299	-

b) Warmworks Scotland LLP

Warmworks Scotland LLP (SO305326) is a joint venture owned equally by Changeworks Resources for Life, Energy Savings Trust Enterprises Limited and Everwarm. The initial cost of the investment was £1 per partner. The principal activity of the Warmworks Scotland LLP is managing the installation of grant-funded energy saving measures into domestic dwellings. A summary of its trading results is shown below:

Warmworks Scotland LLP	2023	2022
	£	£
Income	82,027,571	42,630,258
Expenditure	(80,184,157)	(39,857,744)
Profit	1,843,414	2,772,514
Fixed assets	1,418,810	1,825,461
Current assets	18,489,862	11,385,498
Current liabilities	(14,023,084)	(8,284,306)
Long Term Liabilities	(617,127)	(907,424)
Net assets	5,268,461	4,019,229

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

Warmworks Scotland LLP Investment	2023	2022
	£	£
Increase in carrying value of investment	1,756,153	1,339,743
Increase / (decrease) in income from investments	416,410	834,134
Decrease in balance of funds brought forward	1,339,743	505,609
Increase in net current assets	-	-

Current Assets includes withheld Construction Industry Scheme income of £757,731 which is to be reclaimed directly by the partners from HMRC during financial year 2023/24 and transferred back to Warmworks.

All three Warmworks partners have signed a Parent Company Guarantee in respect of Warmworks' largest Scottish Government contract.

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 £325 (2022: £443) were received during the year.

14. Debtors

Debtors	2023	2022
	£	£
<u>Amounts falling due within one year</u>		
Trade debtors	3,045,778	2,077,072
Prepayments	104,663	65,212
Other debtors	12,769	4,394
Accrued income	203,683	177,432
	3,366,894	2,324,110
<u>Amounts falling due after one year</u>		
Amounts owing from related entities	-	175,000
	-	175,000
Total	3,366,894	2,499,110

£175,000 loan to Changeworks Recycling Ltd was repaid in full during the year.

15. Creditors: amounts falling due within one year

Creditors	2023	2022
	£	£
Trade creditors	602,480	296,807
VAT	553,359	332,541
Pension contributions	60,355	42,930
PAYE & NIC	147,632	100,295
Other creditors, deferred income and accruals	391,856	234,832
Total	1,755,681	1,007,405

16. Deferred income

Deferred Income	2023	2022
	£	£
Balance brought forward	185,090	614,862
Deferred in year	1,877,748	3,449,244
Released to income and expenditure	(1,731,231)	(3,879,016)
Total	331,607	185,090

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 as well as some contracts that were paid in advance in March for work to be undertaken in 2023-24.

17. Provisions for liabilities

Dilapidations provision	2023	2022
	£	£
Balance brought forward	260,077	101,319
Increase in provision for the year	23,642	158,758
Payment in lieu of dilapidations	(200,000)	-
Released in year	(83,719)	-
Total	-	260,077

Dilapidations provision was as per an independent survey of our Newhaven Road office, revised August 2022. £200k was paid to Changeworks Recycling in lieu of dilapidations, due to leaving the office mid-lease. The remainder of the provision was released as no longer required.

18. Financial assets and liabilities

Financial assets and liabilities	2023	2022
	£	£
Financial assets at amortised cost	7,997,248	7,530,503
Financial liabilities at amortised cost	1,054,691	574,568

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

Financial liabilities comprise accruals, trade and sundry creditors, deferred income 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 £449,300 (2022: £351,362).

20. Commitments under operating leases

At 31 March 2023, the charity had commitments under non-cancellable operating leases as set out below:

Operating leases	2023 Land & buildings £	2023 Other £	2022 Land & buildings £	2022 Other £
Operating leases which expire:				
Within one year	68,252	46,354	22,402	13,712
Within 2 to 5 years	8,667	62,105	12,333	2,354
Total	76,919	108,459	34,735	16,066

21. Analysis of net assets between funds

Net assets	General funds	Designated funds	Restricted funds	2023 total funds
	£	£	£	£
Tangible fixed assets	-	411,028	-	411,028
Fixed asset investments	-	10,001	-	10,001
Current assets	1,293,369	6,666,546	141,997	8,101,912
Current liabilities	(280,272)	(1,444,638)	(30,771)	(1,755,681)
Net assets at 31 March 2023	1,013,097	5,642,937	111,226	6,767,260

Previous year's comparatives (restated)	General funds	Designated funds	Restricted funds	2022 Total funds
	£	£	£	£
Tangible fixed assets	-	378,236	-	378,236
Fixed asset investments	-	10,051	-	10,051
Current assets	1,458,188	5,789,145	293,137	7,540,470
Current liabilities	(209,546)	(744,145)	(53,714)	(1,007,405)
Provisions	(260,077)	-	-	(260,077)
Net assets at 31 March 2022	988,565	5,433,287	239,423	6,661,275

22. Movements in funds

Movement in funds	At 1 April 2022	Incoming resources and investment gains	Outgoing resources	Transfers	At 31 March 2023
	£	£	£	£	£
Restricted funds					
Low Carbon Communities	34,167	182,021	(122,414)	-	93,774
Affordable Warmth Team	93,365	629,956	(697,827)	(48,478)	(22,984)
SE Projects Team	93,627	-	(92,149)	-	1,478
Corporate	18,265	95,900	(75,207)	-	38,958
Total restricted funds	239,423	907,877	(987,597)	(48,478)	111,226
Unrestricted Funds					
Designated Funds:					
Relocation reserve	600,000	-	-	400,000	1,000,000
Dilapidations reserve	45,000	-	(23,643)	8,643	30,000
Fixed asset reserve	378,236	266,563	(228,157)	(5,614)	411,028
Investments	10,051	-	(50)	-	10,001
Warmworks member's security	750,000	-	-	-	750,000
Loans to related entities	150,000	-	(25,000)	(125,000)	-
Investment fund	-	776,299	-	125,000	901,299
Strategic fund	3,500,000	-	(959,391)	-	2,540,609
Total designated funds	5,433,287	1,042,862	(1,241,855)	408,643	5,642,937
General fund	988,565	7,977,520	(7,592,823)	(360,165)	1,013,097
Total unrestricted funds	6,421,852	9,020,382	(8,834,678)	48,478	6,656,034
Total funds	6,661,275	9,928,259	(9,822,275)	-	6,767,260

Included within the general fund incoming resources and investment gains are £776,299 of gains on disposal of investments.

Previous year's comparative figures	At 1 April 2021	Incoming resources	Outgoing resources	Transfers	At 31 March 2022
	£	£	£	£	£
Restricted funds					
Waste Education & Information etc Tech LCC	52,823	128,805	(137,999)	-	43,629
Affordable Warmth Team	1,420	48,191	(42,569)	-	7,042
SE Projects Team	115,264	1,048,312	(993,089)	-	170,487
HI Projects Team	-	362	(362)	-	-
Consultancy Team	-	60,026	(60,026)	-	-
Strategy	144,682	-	(144,682)	-	-
Corporate	22,360	63,500	(67,595)	-	18,265
Total restricted funds	336,549	1,349,196	(1,446,322)	-	239,423
Unrestricted Funds					
Designated Funds:					
Relocation reserve	269,881	-	-	330,119	600,000
Dilapidations reserve	53,804	-	-	(8,804)	45,000
Fixed asset reserve	394,784	190,291	(206,839)	-	378,236
Investments	10,051	-	-	-	10,051
Warmworks members' security	750,000	-	-	-	750,000
Loans to related entities	300,000	-	-	(150,000)	150,000
Strategic fund	1,202,314	-	(640,188)	2,937,874	3,500,000
Total designated funds	2,980,834	190,291	(847,027)	3,109,189	5,433,287
General fund	3,597,136	5,656,103	(5,155,485)	(3,109,189)	998,565
Total unrestricted funds	6,577,970	5,846,394	(6,002,512)	-	6,421,852
Total funds	6,914,519	7,195,590	(7,448,834)	-	6,661,275

Restricted Funds - Restricted funds are grants that have been awarded to Changeworks to carry out specific projects within an agreed time period. Balances on restricted funds constitutes grant instalments received but not yet spent, and are categorised by type in the above table – there were two restricted projects that had a balance over £50k at year end:

- £75k – balance on funding received during 2022-23 from Ecotricity to provide training and energy advice resources to enable community groups to support householders in or at risk of fuel poverty.
- (£89k) – balance of funds spent on delivering an Affordable Warmth advocacy service funded by Energy Redress but not yet reimbursed.

Restricted fund income was £0.9m (2022: £1.3m). There were 19 projects (2022: 24) in the year delivering these grant-funded services.

Fund Transfers: There were £48k (2022: £nil) transfers between restricted and unrestricted funds, being reclassification of projects from restricted to unrestricted (£64k) and losses on completed projects (£16k).

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. The fund level is equal to the carrying value of fixed assets on the balance sheet.

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. This has fallen by £50 due to the sale of the charity's 50% stake in Changeworks Recycling.

Investment Fund: The fund designated by the Board to ring-fence the increase in reserves resulting from the sale of Changeworks Recycling – to ensure they are used for future investment and not to meet 'normal' operating expenses.

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. This has dropped to £nil (2022: 150k).

Strategic fund: The fund designated by the Board to cover the unfunded costs of implementing the current three-year strategic plan. Of the £3.5m allocated to the Strategic Fund in 2022-23, for the implementation of our three-year strategic plan (2022-23 – 2024-25), £1m was utilised during the year, leaving a balance of £2.5m. The directors have agreed a further £1.6m spend in financial year 2023-24.

Relocation reserve: The fund designated by the Board to cover costs of relocating our Edinburgh HQ to our new office in 2023. Has been increased from £0.6m to £1m in line with professional estimates of fit-out cost.

Warmworks members' security: The fund designated by the Board to cover the maximum drawdown against our Warmworks member's security.

23. Related parties

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

Related Party	Nature of relationship	Income £	Expenditure £	Debtor Balance £	Creditor Balance £
Change Waste Recycling Limited (formerly Changeworks Recycling Limited)	50% owned by Changeworks Resources for Life, until 10/02/23 – 0% thereafter	1,070,163	(299,773)	11,483	(8,669)
Warmworks Scotland LLP	Joint venture - one third owned by Changeworks	812,061	-	720,000	-

The company sold its 50% shareholding in Changeworks Recycling (now Change Waste Recycling) on 10 February 2023. Income from Changeworks Recycling includes settlement of a £175k loan and £776k proceeds of the sale (via share buyback).

Expenditure includes £200k contribution towards future dilapidations of the Newhaven Road office shared by both companies.

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

Cashflow from operating activities	2023	2022
	£	£
Net income for the year	105,985	(253,244)
Adjustment for:		
Depreciation charges	228,157	206,839
Gains/losses on investment	(776,299)	-
Dividends, interest and rents from investments	(144,600)	(15,202)
Loss/(profit) on sale of fixed assets	5,614	-
(Increase)/decrease in debtors	(867,784)	335,946
Increase/(decrease) in creditors	748,276	(500,177)
Increase in provisions	(260,077)	158,758
Net cash used in operating activities	(960,728)	(67,080)

25. Going Concern

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. Post Balance Sheet Events

In April 2023, Changeworks entered into a ten-year lease on a new office in Edinburgh, which will become our registered office during the 2023/24 financial year. The address is 30 Queensferry Road, Edinburgh, EH24 2HS.

In August 2023, all three Warmworks partners (including Changeworks) indemnified £10m of Performance Bonds relating to its Heating in Buildings Scotland contract with the Scottish Government.

27. Other non-audit services

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

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 should be treated 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.

A comparative table for the previous year is included for information, though note that meaningful year-on-year comparison is not possible due to changes in goal definitions.

Results by delivery goal	Income £	Expenditure £	Surplus £
Goal 1: Identify and engage households across Scotland on actions to decarbonise their homes	4,767,299	(7,065,082)	(2,297,783)
Goal 2: Support households to install energy efficiency and low carbon heating systems to decarbonise their homes	4,518,689	(1,759,985)	2,758,704
Goal 3: Innovate delivery models and solutions for heat and energy systems for homes	554,571	(694,377)	(139,806)
Goal 4: Accelerate decarbonisation through research, evaluation, disseminations and influencing	87,701	(302,831)	(215,130)
Total	9,928,260	(9,822,275)	105,985

Comparative year 2021-22	Income £	Expenditure £	Surplus £
Goal 1: Energy efficiency of buildings	1,964,687	(2,293,234)	(328,547)
Goal 2: Renewable and low carbon	1,061,017	(1,249,005)	(187,988)
Goal 3: Low carbon living	357,629	(504,044)	(146,415)
Goal 4: Fuel poverty reduction	3,812,257	(3,402,551)	409,706
Total	7,195,590	(7,448,834)	(253,244)

29. Capital commitments

There were no material capital commitments at the balance sheet date.

Changeworks entered into a lease on its new Edinburgh office in April 2023. It has been estimated independently that the capitalised fit-out cost (including professional fees) will likely be in the region of £1m, which has been covered in full in the reserves within designated funds.

Changeworks has been leading the way in delivering high impact solutions for low-carbon living for over 35 years.

Get in touch with the team to discuss how we can help you.

Call 0131 555 4010

Email workwithus@changeworks.org.uk

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Changeworks

36 Newhaven Road

Edinburgh

EH6 5PY

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