



**Motability**  
The leading car scheme for disabled people

# Annual Report and Accounts

// 2014/15

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# // About Motability

Motability is a national charity, established with all-party parliamentary support in 1977 and incorporated by Royal Charter. Its objective is to help disabled people with their personal mobility.

The Motability Scheme enables disabled people to use their government-funded mobility allowances to lease a new car, scooter or powered wheelchair. This gives them the freedom to get to work or college, meet up with friends, enjoy a day trip out with their families, attend a medical appointment, or go shopping – in short, to enjoy the freedom and independence that so many of us take for granted.

The Scheme is operated for Motability on a contract basis by Motability Operations Group plc, a commercial company owned by the major banks: Barclays, Lloyds, HSBC and Royal Bank of Scotland. Any profits made are non-distributable and are held for the benefit of the Scheme.

Motability's areas of responsibility include:

- Directing and overseeing the Motability Scheme which comprises the Car Scheme and the Powered Wheelchair and Scooter Scheme.
- Administering the Government's Specialised Vehicles Fund, helping people who need a wheelchair accessible or heavily adapted vehicle.
- Raising funds for our own Charitable Fund to help those customers whose allowance does not cover the cost of the vehicle or the adaptations they need.

Currently over 650,000 people use and benefit from the Motability Scheme. Since the first cars were delivered in 1978, we have provided close to four million cars, powered wheelchairs and scooters.

## How the Motability Scheme works

Customers can use their Higher Rate Mobility Component of Disability Living Allowance (HRMC of DLA), Enhanced Rate of the Mobility Component of Personal Independence Payment (ERMC of PIP), War Pensioners' Mobility Supplement (WPMS) or Armed Forces Independence Payment (AFIP) to meet the cost of leasing a car, scooter or powered wheelchair. It is entirely up to the recipient whether they wish to spend their allowance joining the Motability Scheme or in some other way. One in three of those currently eligible have chosen to join the Scheme. Around two-thirds of our customers drive but those who do not can lease a car as a passenger. Similarly, parents or carers can also apply on behalf of a child aged three and above. The car must be used by, or for the benefit of, the disabled person.

Customers lease a new car every three years with insurance, road tax, servicing, tyres and breakdown cover all included. A wide range of adaptations and Wheelchair Accessible Vehicles (WAVs) are also available. A similar scheme exists for disabled people wishing to lease a scooter or powered wheelchair instead.

For customers who are unable to afford the type of vehicle or any adaptations that they need, Motability may be able to offer financial help. This year we awarded £20.4 million in grants from the Government's Specialised Vehicles Fund and our own Charitable Fund.

## Public Benefit

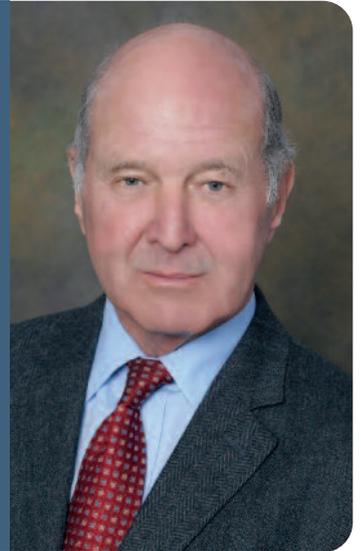
This annual report looks at what Motability and its service provider, Motability Operations, have achieved over the past year, measuring success against the stated aims for 2014/2015 and sets out the aims for 2015/2016. In reviewing the performance and future aims, Governors have due regard for the guidance published by the Charities Commission on public benefit and have complied with Section 17 of the Charities Act 2011 in this respect.

## // Chairman's Foreword



For over 37 years, it has been a privilege for us to be able to help close to 4 million disabled people and their families to become mobile but, of course, there is a continuing responsibility to ensure that the Scheme remains strong and robust, to weather economic cycles and to meet the mobility needs of disabled people for decades to come.

*The Rt Hon The Lord Sterling of Plaistow GCVO CBE*  
Chairman of Motability



Despite the challenging environment this year, we saw sustained demand for the Scheme's services, whilst continuing to maintain the highest levels of customer satisfaction.

A core focus for Motability continues to be the introduction of the new benefit, Personal Independence Payment (PIP) which is gradually replacing Disability Living Allowance (DLA). Whilst the initial implementation of PIP during 2013 and 2014 has been slower than originally anticipated, this has nonetheless resulted in some 3,500 Scheme customers losing their award of the highest level of mobility support and, as a consequence, losing eligibility to remain on the Scheme.

Our decision to provide charitable transitional support, including a payment to affected customers of up to £2,000, together with individual help and advice particularly in regard to insurance, is helping these disabled people to remain mobile, in many cases by purchasing a used car.

Motability has already paid £4.3 million as transitional support and the number of customers affected will unquestionably increase during the coming months as the pace of the Department for Work and Pensions (DWP) reassessments accelerates. Our package for transitional support will be reviewed in the Autumn of 2015 to take account of customer feedback, economic conditions and the impact of any possible changes the Government may be making to PIP at that time.

We continue to enjoy an excellent working relationship with the DWP during this time of major welfare reform. In December we were delighted to hold a car presentation at

a car dealership in the constituency of Mark Harper MP, then Minister of State for Disabled People, as well as welcoming him to our offices in March to see at first-hand the work that we do.

We are pleased that the Government has maintained its commitment to the Specialised Vehicles Fund, crucial in helping many disabled people with the most complex mobility requirements. Motability plays a key role in administering these funds using our specialised expertise and staff. In 2014/15 Motability handed over 336 Drive From Wheelchair vehicles, with funding being provided for a further 3,123 Wheelchair Accessible Vehicles.

The Scheme operates across the UK and includes some 500,000 customers in England, 70,000 in Scotland, 43,000 in Wales and 33,500 in Northern Ireland. During the coming year, we will work closely with the Scottish and UK Governments to consider the implications for the Motability Scheme arising from the planned transfer of responsibility for disability benefits to the Scottish Government.

The last few years have presented us with difficult economic conditions and many challenges arising from the process of welfare reform. In early 2014, I discussed with my fellow Trustees that it would be timely to have a full, independent review of the Motability Scheme overhead costs over the last decade or so. We commissioned EY (formerly known as Ernst & Young) to produce this independent review which covers both Motability and Motability Operations (who operate the Scheme under contract to Motability).

Steve Varley, Chairman and Managing Partner of EY concluded:

“EY reviewed Motability Scheme overhead cost information provided by Motability Operations for the period 2002 through 2013. We noted, over this time, the Scheme improved its customer service levels (as independently measured by customer satisfaction scores) to 98%, and the number of models available at nil Advance Payment rose from 62 to 490. Based on the study of the overhead cost information provided, EY conclude that, at the same time as these improvements were achieved, the Scheme also succeeded in reducing its overhead costs per customer by 28% in real terms.”

I am grateful for the continued commitment and hard work of the Board of Governors of Motability. I would like to thank in particular our Vice-Chairman, Sir Gerald Acher, who chairs the Scheme Oversight and Remuneration Committees, Richard Bennison, our Honorary Treasurer and Chairman of the Audit, Risk and Governance Committee and Professor Adrian Stokes, Chairman of the Funding and Grant-Making Committee. It was with sadness that we learned of the death of one of our Life Vice-Presidents, Allan Beard, in January 2015. Allan was deeply involved in the formation of Motability and, together with Lord Goodman and myself,

played a key role in establishing the Charity in 1977. At that time, Allan was an Under-Secretary at the Department for Health and Social Security and was asked to assist with the detailed arrangements for setting up the Scheme. Indeed, it was Allan who came up with the name ‘Motability’.

I am also grateful to our Director, Declan O’Mahony and all the staff at Motability for their dedication and commitment to their work which is to be greatly admired. I would also like to thank the Chairman of Motability Operations, Neil Johnson and his Chief Executive, Mike Betts, for their expertise and engagement in delivering the Scheme to a consistently high level, maintaining high levels of service for our disabled customers, and upholding outstanding relationships with its shareholder banks, vehicle manufacturers, dealerships and other key suppliers to the Scheme.

For over 37 years, it has been a privilege for us to be able to help close to 4 million disabled people and their families to become mobile but, of course, there is a continuing responsibility to ensure that the Scheme remains strong and robust, to weather economic cycles and to meet the mobility needs of disabled people for decades to come. We will continue to meet this challenge in the years ahead.



**Mark Harper MP, and former Minister of State for Disabled People, presented the keys of a new Motability Scheme car to his constituent John Boyle and his wife.**



**Rt Hon Michael Fallon MP, Secretary of State for Defence, presented the keys of a new Motability Scheme car to Andy Grant, a former Royal Marine Commando who was injured while serving in Afghanistan.**

# // Governors' Report

The Governors present the audited Accounts for the year ended 31 March 2015 under the Charities Act 2011, together with their summary report on governance, objectives and achievements.

The Accounts comply with the requirements of the Act, the Royal Charter and the Statement of Recommended Practice (SORP) 2005.

## **Motability is a registered charity in England and Wales No. 299745 incorporated by Royal Charter.**

The Chief Patron, Patrons, Life Vice-Presidents, Members, the present Governors and any past Governors who served during the year are shown on page 52, together with details of the registered office and of the senior executive staff and professional advisers.

## **Structure, Governance and Management**

The Charity is governed by its Royal Charter, granted on 18 May 1988.

Under Motability's Royal Charter, Governors are appointed from the Membership. When a vacancy arises for a Governor or if the Board considers the need to appoint someone with specialist knowledge, the Board will review the current Membership for candidates. If none possess the necessary skill or experience, the Board would seek to recruit a new Member, whose appointment as a Governor would be put to the AGM. One third of the Governors must retire each year and may offer themselves for re-election. Governors meet at least five times per year. These meetings include four quarterly Board meetings and the AGM. New Governors receive an induction pack containing relevant information about the Charity and are briefed by the Executive Team.

The Board delegates responsibility for the implementation of policy and the reviews of performance to a number of Committees, as set out below. The Committees are required to meet prior to Board meetings and formally report to them, so that recommendations for changes in strategy or policy can be authorised by the full Board.

## **Scheme Oversight Committee**

The Scheme Oversight Committee comprised five Governors who have appropriate skills and experience in relation to the oversight of the Motability Scheme. The Committee meets quarterly and is supported by senior management of Motability and Motability Operations. The Committee is chaired by the Vice-Chairman, Sir Gerald Acher, and is responsible for reviewing the performance of both the Car and the Powered Wheelchair and Scooter Schemes against agreed key performance indicators. These indicators set out to monitor customer service levels, value for money, affordability and reliability of service. The Committee also

advises the Board on any issues that may arise in relation to the Scheme and also considers operational and financial risks to ensure continuity of service to customers.

## **Audit, Risk and Governance Committee**

The Audit, Risk and Governance Committee comprised three Governors during the year, who are independent of management and free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgement as members of the Committee. The Committee is chaired by the Honorary Treasurer, Richard Bennison, and is responsible for the oversight of Risk Assessment, Risk Management and Internal Control. The Committee is also charged with reviewing the performance of both internal and external audit, and for making recommendations to the Board in respect of the appointment of external auditors. The Committee also advises the Board on the appropriate level of free reserves and any significant change in investment strategy.

## **Funding and Grant-Making Committee**

The Funding and Grant-Making Committee comprised four Governors and is chaired by a Governor with disability expertise, Professor Adrian Stokes. The Committee reviews Motability's fundraising and grants policies and oversees the administration of the grants operations to ensure that it delivers value for money and a high level of customer service. The Committee reviews funding issues and risks in view of the current economic climate.

## **Remuneration Committee**

The Committee comprised three Governors during the year and is chaired by the Vice-Chairman, Sir Gerald Acher. The primary purpose is to review the remuneration of the Director and senior management as well as the staff pay and benefits strategy.

## **The Director**

The Director is responsible for the day-to-day management of the Charity's affairs and the relationships with stakeholders, including the DWP and Motability Operations. The Director is supported by a senior management team to ensure the implementation of policies agreed by the Governors.

## Statement of Trustees' Responsibilities and Corporate Governance

The Governors, as Trustees, are responsible for preparing the Governors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and the Group, and of the incoming resources and application of resources of the Charity for that period. In preparing these financial statements, the Governors are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the Group and Charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The systems of internal control follow Charity Commission Guidelines (CC8), designed to provide reasonable but not absolute assurance against material misstatement or loss. They include:

- A strategic plan and annual budget approved by the Governors.
- Regular consideration by the Governors of financial results, variations from budget, non-financial performance indicators and benchmarking reviews.
- Delegation of day-to-day management authority and segregation of duties.
- Identification and management of risks.

## Environmental Responsibility and Sustainability

Motability's direct environmental impact is mainly a function of the energy we use and the emissions and waste we generate. An external review in December 2014 concluded that Motability has surpassed the current Government guidelines on the reduction of CO<sub>2</sub> emissions when benchmarked against similar sized organisations. We have delivered a 26.6% reduction in our carbon footprint, over the last two years. In particular, we have reduced our electricity consumption by approximately 47% since 2012, a major contributor to this being the building refurbishment work in September 2013.

In addition, Governors have regard to the environmental impact of the Car Scheme and have worked closely with Motability Operations to drive considerable reductions in the CO<sub>2</sub> profile of the fleet.

### Employees

Motability is an organisation where employees continue to enjoy their work, feel valued, appreciated and fairly rewarded for the work they do. The results from our staff survey continue to improve year on year, and in all areas, outperform our benchmark (Charity Pulse). These results can be attributed to:

- Open and two-way communication between our managers and staff, enabled by our one-to-one discussions, feedback programmes and regular staff briefings.
- Investment in training and development, centred around Motability's values, for all staff members.

We are accredited as an Investor in People, with silver status.

Our pay and benefits continue to be externally benchmarked to ensure they remain competitive and relevant to the environment in which we operate. We actively encourage our staff to engage with us on benefits, such as our pension scheme, salary sacrifice schemes, retirement workshops for the over 50's and online pension planning tools.

Motability continues to pursue a policy of equality and diversity. Following assessment in 2014, we retained our 'two ticks positive about disabled people' accreditation, and the percentage of our workforce with a disability is circa 25%. We continue to promote our work experience programme for candidates with disabilities, following its successful launch in 2014.

Staff turnover in 2014/15 remains low at 7%. The average number of days' absence per employee was 4.5 days, compared to 8 days in 2013/14.

# // Board of Governors

## **Lord Sterling GCVO CBE** *Chairman of Motability*

Lord Sterling was co-founder (with the late Lord Goodman) of Motability and has been Chairman of Motability since 1994; he also chairs the Motability Tenth Anniversary Trust.

Lord Sterling is active in other parts of the charity world and brings to Motability his knowledge and considerable range of corporate contacts from all areas. As a key advisor to numerous governments – between 1982 and 1990 he was Special Advisor to successive Secretaries of State for Industry – he is well placed to bring a high level of expertise and experience to the conduct of the Motability Scheme. Following a period of National Service in the RAF, Lord Sterling worked on the London Stock Exchange. In 1969 he formed his own company – Sterling Guarantee Trust Ltd – which merged with the Peninsular and Orient Steam Navigation Company (P&O) in 1985.

Lord Sterling joined the Board of P&O as a Non-Executive Director in 1980 and between 1983 and 2005 he was Executive Chairman. He is now a Life President of P&O Cruises and also Chairman of SwanHellenic and Hebridean Island Cruises.

In 2005 Lord Sterling became Chairman of the Board of Trustees of the National Maritime Museum, stepping down in 2013, and has also chaired other important organisations, including The Royal Ballet School and the Young Vic Company.

Lord Sterling was appointed a Commander of the Order of the British Empire (CBE) in 1977 and knighted in the 1985 New Year's Honours List. He was created a life peer in December 1990. In 1998 Lord Sterling was admitted as a Knight in the Order of St John, and in August 2001 was appointed Chairman of the Steering Committee, The Queen's Golden Jubilee Weekend Trust.

In 2015 Lord Sterling was promoted from Honorary Rear Admiral The Right Honourable to Honorary Vice Admiral Royal Naval Reserve.

## **Sir Gerald Acher CBE LVO** *Vice-Chairman, Motability*

Sir Gerald Acher is Vice-Chairman of Motability and Chairman of its Scheme Oversight Committee and the Remuneration Committee. He is also a Trustee of the Motability Tenth Anniversary Trust.

He is President of Young Epilepsy and, until 2009, was Chair of the Royal Society for the encouragement of Arts, Manufactures and Commerce. He was a member of the Board of KPMG and the Senior Partner of its London office until the end of 2001. He champions issues on sustainability, climate change, corporate social responsibility, diversity and educational agendas. He is a Non-Executive Director of Camelot UK Lotteries Ltd where he also chairs the Advisory Panel on Social Responsibility. He was a Non-Executive Director of BPB industries, the FTSE 100 manufacturer, until it was acquired by the French conglomerate St Gobain. He is a Non-Executive Director of the Imperial College NHS Healthcare Trust, where he is responsible for audit, risk and governance.

Sir Gerald was awarded the CBE in the 1999 Birthday Honours for his work in this area and was awarded a Knighthood in 2012 for his services to charities.

## **Richard Bennison FCA** *Honorary Treasurer*

Richard Bennison chairs the Audit, Risk and Governance Committee and sits on the Scheme Oversight Committee and the Remuneration Committee.

Richard spent 35 years with KPMG, where he most recently held posts of Chief Operating Officer of KPMG Europe LLP and CEO of KPMG in the UK. Prior to that he was KPMG's UK Head of Audit. He was a member of the Board for six years. He was appointed as a Non-Executive Director to RJ Kiln (where he chairs the Audit and Risk Committee) and Tokio Marine Kiln Syndicates Limited Boards in May 2013. He was a Non-Executive Director of XL Insurance Company until May 2015 where he chaired the Board Risk and Reserving Committee. He was appointed Chairman of Taylor Clarke Ltd in May 2014. Richard is also a Trustee of The Underwood Trust and Africa Ahead.

## **Professor Adrian V Stokes OBE**

Professor Adrian V Stokes OBE is a founder Governor of Motability and chairs the Funding and Grant-Making Committee. He has been disabled since birth due to spina bifida. His background is in academia and the NHS, with expertise in telecommunications, computer networks (he is recognised as one of the founders of the Internet) and health informatics. He took early retirement from the NHS Centre for Information Technology (where he was Director) in 2000 and then held a number of Non-Executive Director positions in NHS organisations and works as an independent IT consultant. He chairs a number of British Standards Institution committees.

Throughout his career he has had extensive involvement with organisations for disabled people. He is currently Treasurer of Disabled Motoring UK (DMUK), having also held the posts of Chairman and Vice-Chairman, and has been a Trustee of DDMC/Mobilise/DMUK continuously since 1967.

Professor Stokes was awarded the OBE in 1983 for services to disabled people. He has recently completed an undergraduate Law course and was awarded a First Class Honours degree of Bachelor of Law followed by a Postgraduate Certificate in Commercial Mediation.

## **Sir Bert Massie CBE DL**

Sir Bert Massie CBE DL is a Governor of Liverpool John Moores University and a Trustee of a number of voluntary organisations based in Liverpool. He also chairs the Community Equipment Code of Practice Scheme CIC. He is a member of the Scheme Oversight Committee.

Sir Bert Massie was knighted in January 2007.

During the last 40 years Sir Bert Massie has been involved with over 30 disability organisations.

In the early 1970s he was employed by the Liverpool Association for the Disabled. In 1977 he joined the Disability Living Foundation and in 1978 joined the Royal Association for Disability and Rehabilitation where he became Director in 1990. Bert remained there until the end of 1999 and then became Chairman of the (now defunct) Disability Rights Commission (DRC) in January 2000. He was appointed Deputy Lieutenant for Merseyside in April 2014.

### **Joanna Lewis**

Joanna Lewis is a strategy consultant with over 25 years' experience in advising public and private sector clients at Bain & Company, KPMG and latterly as a Special Advisor to Sir Mike Rake, Chairman of BT plc.

Joanna is a member of the Audit, Risk and Governance Committee, Funding and Grant-Making Committee and the Remuneration Committee.

Joanna co-founded Littlefox Communications in 2012, where she is Chief Executive. In 2014 she also co-founded eHealth Digital Media to focus specifically on using film-based communications to engage patients in becoming more expert in managing their health conditions – this work has been shortlisted for the 2014/15 NHS England Innovations Prize for patient engagement.

She is a Fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce and an advisor to the Web Science Trust. Joanna is a Sports Ambassador for St John's College, Cambridge from where she gained her Masters degree in History.

### **Paul Spencer CBE**

Paul Spencer is a member of the Scheme Oversight Committee.

Paul graduated from Greenwich University with a degree in Business Management. His early career was spent at British Leyland and Rolls Royce where he was Group Treasurer. In 1986 he was appointed Associate Director and Treasurer of Hanson plc. After 10 years in this role he moved to Royal & Sun Alliance (RSA) as Group Finance Director. Paul was appointed Chief Executive (UK) of RSA in 1998 and remained in this role until 2002.

Paul has been involved in various Non-Executive roles, Chairman of NS & I (National Savings) and of the Association of Corporate Treasurers' Advisory Board. He is also an Independent Trustee on the BT, BA and Rolls Royce pension funds.

He was awarded a CBE in 2010.

### **Jerome Church OBE**

Jerome Church is a member of the Funding and Grant-Making Committee.

Born in 1948, he was commissioned into the Royal Regiment of Fusiliers in 1968. He was injured on active service in Northern Ireland in 1972, but despite losing his right leg he continued to serve on a variety of regimental and staff appointments at home and abroad, retiring in the rank of Lieutenant Colonel in 2000.

He became a member of the British Limbless Ex-Service Men's Association (BLESMA) at the age of 24, shortly after he was injured. He was appointed as General Secretary of BLESMA in September 2000. Jerome retired from BLESMA in December 2013 but remains closely associated with its continuing work. Jerome was awarded an OBE in the 2015 New Year Honours list.

### **Alan Dickinson**

Alan Dickinson was educated at the Royal Grammar School, High Wycombe before studying Mathematical Statistics at the University of Birmingham. He has an MBA from Manchester Business School, is a Fellow of the Royal Statistical Society and a Fellow of the Chartered Institute of Bankers. Alan is a member of the Audit, Risk and Governance Committee.

Alan is an experienced retail and corporate banker, with a strong strategic focus and considerable experience of the corporate world and the impact of current and past economic cycles upon markets and market participants. He is a former Executive Committee member of the RBS Group and Chief Executive of RBS UK. Alan is currently a Non-Executive Director of Lloyds Banking Group and Chairman of their Board Risk Committee, a Non-Executive of Willis Limited and Chairman of their Executive Risk Committee, Senior Independent Director of Urban & Civic plc and Honorary Treasurer of Surrey County Cricket Club.

### **Professor Peter N C Cooke**

Professor Cooke is Professor Emeritus of Automotive Management at the University of Buckingham. He established the Centre for Automotive Management in 2007. He is a member of the Scheme Oversight Committee.

Peter had a 20 year career in the automotive sector with Ford, in the oil and components industries as well as working in high technology in Europe and the Middle East prior to moving into an academic career. He has undertaken business, teaching and consultancy assignments in some 50 countries. He was appointed a Winston Churchill Memorial Fellow in 2002. He writes widely on the automotive industries and fleet management. For seven years he was a Non-Executive Director of Remploy and a Trustee of the Independent Living Fund since 2003 and Vice-Chairman since 2006.

# // Key Features of the Motability Scheme

## Affordable Vehicles

- 400+ vehicles available at no Advance Payment.
- Wide range of adaptations at no additional cost.
- 60,000 mileage allowance over three years.
- £250 Good Condition Bonus at end of lease (subject to vehicle condition).

## Worry-free Motoring

- Comprehensive insurance, service maintenance and repair included in the lease.
- Breakdown and recovery service included.
- Replacement tyres included.
- Windscreen repairs or replacement included.



I'm now able to take driving lessons in my Motability car as it's been fitted with mechanical hand controls and steering aids. I cannot wait to pass my test and be able to drive myself to and from college.

James joined the Motability Scheme in 2001 and was reliant on his parents to drive him wherever he needed to go. When he became old enough to learn to drive, he applied to Motability for a grant towards driving lessons. James is now learning to drive in his Motability car which has been adapted to suit his needs.



My Motability car gives me the freedom and independence I need for my hectic life. I have to travel around a lot for fundraising events and meetings, so my Motability car is invaluable. Knowing that you've got back-up and you're not on your own if a problem arises, it gives you real peace of mind.

Allen was seriously injured whilst serving in the Royal Navy during the Gulf War. Allen suffered a traumatic head injury which left him in hospital for five years.



### Unique Customer Service

- UK-based customer service centre taking over 1 million calls each year.
- Customers are supported during periods of hospitalisation when their mobility allowance is suspended.
- Available to eligible disabled people across the UK with no pricing differentials.
- Customers are allowed to change drivers to facilitate changing carer arrangements.
- Customers are supported with alternative transport, for example hire cars, taxi journeys, etc. if their vehicle is off the road.



Motability has made a huge difference to my life and my family. Before joining the Scheme, it was difficult to get around but now I am able to do a lot of things I was struggling to do before, like taking the children to school or even going to the hospital for regular appointments.

Namik suffered with heart disease which resulted in him not being able to use his legs as he could before.



# // Report on Scheme Oversight



Oversight of both the car and wheelchair schemes is carried out by a dedicated team at Motability, reporting to the Scheme Oversight Committee which meets quarterly. This Report covers some of the most important changes and key performance indicators which we use to monitor and direct the Scheme.

*Sir Gerald Acher CBE LVO*  
Chairman of the Scheme Oversight Committee



## The Car Scheme

### Achievements during 2014/15

The Car Scheme continued to improve throughout the year in line with the aims set out in last year's Annual Report and Accounts:

- Independent customer surveys demonstrated that satisfaction scores with the Scheme remained excellent and that loyalty remained very high.
- The Scheme's offering remained strong, with over 2,000 car variants available, including a wide range of popular models and affordable automatics.
- Despite the continuing economic uncertainty, customer numbers increased by 1.8%, from 625,700 in March 2014 to 637,000 in March 2015, with 68,000 customers joining the Scheme for the first time.
- The Scheme continued to work to improve its WAV offering, and the WAV fleet grew to a record level of 25,966 vehicles.
- We continued to support our customers in looking for greener choices and took a proactive approach to managing our CO<sub>2</sub> emissions, including a number of initiatives that provide information and choice for customers.
- We support new vehicle technologies and Plug-In Hybrid Electric Vehicles and petrol / electric hybrids are available on the Scheme, providing additional options for customers.
- We continue to offer electric vehicles, with zero emissions at the tailpipe. We also ensure that customers can recharge their vehicles safely and effectively before we accept their application.
- Average CO<sub>2</sub> emissions for vehicles taken through the Scheme continue to decline – falling from 126g/km in March 2014 to 124g/km by March 2015.
- The Scheme continued to broaden its awareness campaign, working with partners to ensure that all people eligible to

join the Scheme can make an informed decision about doing so. Leaflets were sent to all recipients of the HRMC of DLA who are currently not on the Scheme, resulting in 54,000 information pack requests.

- The Motability Dealer Partnership programme, designed to ensure customers receive a consistently high level of service, has been developed further with increased spend and better targeting of support, and has delivered improvements that have led to a better customer experience at dealerships.

### Scheme operational changes

Motability continues to monitor the Scheme offering, to ensure the proposition remains appropriate and that it continues to deliver value to its customers, consistent with the Scheme's core objectives. The last major review led to a number of changes, implemented in January 2012, which collectively were designed to protect the integrity and reputation of the Scheme. They also clarified our policies about how cars are used, and by whom. The changes included restricting the vehicles offered, increasing control over additional nominated drivers and limiting the vehicles that young people can drive. We are continuing to monitor the effectiveness of these changes and, during the year, we reviewed how these policies are being administered at an operational level across all areas of the Scheme.

During the year we reviewed the results from a pilot study in the use of trackers. The pilot aimed to deploy trackers where there was a high risk of the vehicle being used outside Scheme rules, and in particular, not providing a direct benefit to the Scheme customer. The results of the pilot have improved our understanding of risk and have improved our targeting of the deployment of these devices. In every case we discuss the proposed use of a tracker with the customer and this is providing an additional opportunity to discuss how the vehicle will be used. In some cases this has resulted in the vehicle application being withdrawn by the customer.

The use of trackers will be extended further during the next year, but we will continue to target the deployment to higher risk cases only.

In October 2013, a new insurance model was deployed, where part of the insurance risk was adopted by Motability Operations directly and controlled by a number of re-insurance measures. The new arrangements are working well, with over 300,000 vehicles covered. It is considered that this insurance model is more appropriate to such a large vehicle fleet and that it will bring significant operational savings in the medium to long-term.

## Performance during 2014/15

We review the KPIs and the Scheme Objectives with Motability Operations each year to ensure that they remain relevant and focussed on the most important elements of customers' experiences. Objectives are set at high enough levels to ensure excellent customer service over the long term.

### Customer Satisfaction

We focus on providing customers with a seamless, trouble-free experience; product choice and affordability are significant elements of this, but meeting our customers' needs is about much more. We aim for excellent customer service, which in our case clearly requires that we take particular steps to meet our customers' disability related requirements.

The three headline measures of customer satisfaction from the most recent independent survey remained significantly above our Scheme objectives:

#### Customer Satisfaction Performance Indicators

	2013/14 Actual	2014/15 Actual	Scheme Objective
Overall satisfaction with the Scheme	98%	98%	92%
Customers who would recommend the Scheme	97%	98%	92%
Customer's intention to renew their leases	97%	97%	92%

### Continuous Mobility and Lease Extensions

The availability of short-term lease extensions ensured no gaps occurred between vehicles for customers during the renewal process. Unexpected gaps caused by accident or theft continued to average just one day.

### Roadside Assistance

RAC attended almost 190,000 incidents, meeting or exceeding their target response time each month of the year.

### Continuous Mobility Performance Indicators

	2013/14 Actual	2014/15 Actual	Scheme Objective
Customers taking delivery of new car on same day as handing back old car	100%	100%	98%
Average number of days from incident to replacement car for thefts and write-offs	0.2 day	0.3 day	5 days
Roadside assistance – average response time	39 mins	37 mins	45 mins

### Affordability and Value for Money

Contract Hire continued to offer excellent value for money for customers. Independent analysis indicates that the prices for the top 50 models on the Scheme represented, on average, a cost saving of over 40% (over 25% excluding VAT and IPT relief) on a like-for-like basis, compared with a number of other major leasing companies. The Scheme continues to work closely with suppliers to reduce costs and maintain affordability for customers.

During the year we decided to withdraw the availability of hire purchase, which was chosen by a very small number of customers and represents less than one percent of the fleet, and concentrate on leasing where we can provide exceptional service as part of the worry-free package which includes maintenance, repair, breakdown recovery and insurance.

To ensure that all operational areas are scrutinized for cost efficiency, we commissioned EY (formerly Ernst & Young) to review Scheme overheads for the period 2002 through 2013. They concluded that the Scheme had succeeded in reducing overhead costs per customer by 28% in real terms.

Securing best value for used vehicles is a key element of maintaining affordability. Although the car market continues to experience some recovery in new vehicle sales, the relative shortage of three year old used cars has resulted in strong disposal values. The Scheme continues to benefit from an established multi-channel disposal strategy which, in addition to a proactive auction programme, includes the 'mflirect' online trade disposal application, over 70% of vehicles are sold through this channel, including 170,000 of the 233,000 total used vehicles sold during the year, and it is intended to extend 'mflirect' further.

The customer proposition remained strong, including offering 400 variants from over 100 models at nil Advance Payment, which includes automatics and over 150 variants available at less than the full allowance. Separate targets also continued to help ensure that the most affordable vehicles included a range of the most fuel efficient.

### Affordability Performance Indicators

	2013/14 Actual	2014/15 Actual	Scheme Objective
Number of models available with nil Advance Payment – automatics	33 [25]*	37 [31]*	8 [4]*
Number of models available with nil Advance Payment – manual	78 [66]*	74 [71]*	25 [16]*

\*Figures in parentheses indicate those with average-in-class MPG performance or better.

## The Powered Wheelchair and Scooter Scheme

### Achievements during 2014/15

Motability Operations has been operating this Scheme since 2010, and the recently formed Specialised Mobility Operations function has used the experience built up over the years to further improve the customer proposition. Key initiatives include improving the assistance given to customers in assessing product suitability. Performance continues to improve.

- An independent survey of customer satisfaction shows that overall satisfaction is high.
- The number of customers increased from 12,850 in March 2014 to 14,120 by March 2015, an increase of 10.0%.
- The Scheme continued to provide customers with a wide and representative choice of scooters and powered wheelchairs, with stable pricing and excellent service.

### Customer Satisfaction and Affordability Performance Indicators

	2013/14 Actual	2014/15 Actual	Scheme Objective
Overall satisfaction with the Scheme	94%	95%	92%
Number of small scooters available for less than 35% of the mobility allowance	38	36	30
Number of medium scooters available for less than 45% of the mobility allowance	34	25	15
Number of large scooters available for less than 50% of the mobility allowance	45	36	5

## Countering Fraud and Abuse

A “Statement of Responsibilities” was introduced in 2012 which has to be signed by the customer, all nominated drivers and the supplying dealer at the start of every lease. Motability works with a range of partners, including dealers, the DWP and Police to ensure that effective procedures are in place to protect the Scheme and that we respond effectively to all allegations of Scheme misuse. This year Motability Operations evaluated 10,282 (11,466 in 2014) cases relating to fraud or abuse of the Scheme. These included cases of uninsured driving, unauthorised use of Scheme cars and criminal activity. Action was taken in 4,744 (3,449 in 2014) cases, resulting in 2,666 (1,557 in 2014) customers being removed from the Scheme or prevented from re-applying to the Scheme.

## Risk Management

The Scheme is exposed to a number of risks, including the uncertain value of cars at the end of their three year leases. Economic Capital principles are used to determine and manage the capital structure of the Scheme to ensure that the Scheme remains stable and sustainable through the economic cycle. A summary of Scheme risks is shown on page 18. The Scheme Oversight Committee monitors these operational and financial risks on an ongoing basis. This ensures that risks are identified and managed appropriately to ensure the provision of a continuous, responsive and affordable service to customers.

### // Aims for 2015/16

- Maintain the Schemes’ excellent customer satisfaction performance.
- Maintain a close working relationship with the DWP during the implementation phase of the Government’s programme of benefit reforms.
- Work with Motability Operations to implement the transitional support package for disabled people who can no longer use the Scheme as a result of being reassessed for PIP.
- Maintain price stability and the Scheme’s financial health in an uncertain economic climate.
- Continue to monitor and develop policies and processes to protect the integrity and reputation of the Scheme.

# // Supporting Customers Affected by the Introduction of Personal Independence Payment

In 2013, the Government launched a new benefit, the Personal Independence Payment (PIP), which will gradually replace Disability Living Allowance (DLA) for disabled people aged between 16 and 64. During the assessment process and transition from DLA to PIP, which is anticipated to run for at least five years, some people will lose their eligibility for the Motability Scheme.

In response to this, in September 2013 Governors announced a one-off transitional support package which is designed to assist those customers who lose their eligibility to remain on the Scheme when they are reassessed for the new benefit.

For customers returning the car in good condition and within the agreed time frame, Motability will, subject to terms and conditions, provide a transitional support package including:

- For most car scheme customers, we will provide transitional support of £2,000.
- The Scheme will offer customers an opportunity to buy their vehicle.
- The Scheme has established an arrangement with a leading insurance broker who will provide quotes to former Motability customers taking account of their claims history with the Scheme. This can allow these people to accrue no-claims discounts of up to 60% which would not otherwise be available to them.
- For those customers who lease a Wheelchair Accessible Vehicle, Motability will work with them on a case by case basis to assist them with their future mobility arrangements including, where appropriate, help to purchase their current vehicle.
- For customers with adaptations, Motability will assist with the cost of fitting the same adaptations to a non-Scheme vehicle.
- The Motability Scheme will also provide a package of support and advice to customers currently leasing powered wheelchairs or scooters, with the objective of enabling them to purchase their current product wherever possible.

Further details are available on our website [motability.co.uk/pip](http://motability.co.uk/pip)

In July 2014, a donation of £15 million was received from Motability Operations with a further donation of £135 million in September 2014. These donations, totalling £150 million, are restricted and will be used only for transitional support payments to departing customers. In order to ensure the more effective use of the available funds, Governors will review all aspects of the support package in the Autumn of 2015, taking account of customer feedback, economic circumstances and any possible changes the Government may be making to PIP at that time.

We have been planning for the introduction of PIP since 2012 and all of our systems and processes are working effectively. However, the deployment of DLA to PIP reassessments is running significantly behind schedule. Fewer than 5% of our eligible customers have gone through a reassessment. The number of transitional support payments made in the year was 2,409 (nil in 2013/14) and these payments amounted to £4.28 million (nil in 2013/14). There remains uncertainty about the future timing of reassessments.

As a result of the delay in the PIP programme, the impact to date on the fleet and the transition support package is much lower than anticipated. We have conducted some initial research into how useful the transition support package has been. The results show that 78% of people leaving the Scheme felt that they had retained mobility to a large extent. Of these customers, 72% had purchased a car and 95% believed that the transitional support was important in helping them stay mobile.

We remain in close contact with the DWP to ensure that we can respond effectively during the next stage of reassessments, which could be impacted by policy changes following the General Election and the next steps in the devolution of welfare benefits.

## // Aims for 2015/16

- Continually monitor the pace of the DWP reassessments, ensuring the smooth administration of additional transitional support to those customers losing access to the Scheme as a result of the introduction of PIP.
- Conduct further research among former customers to ensure our transition support package is structured to support their ongoing mobility as effectively as possible.

## // Report on Fundraising

Motability's charitable work relies on voluntary income and this year we raised £2.97 million, an increase of 4% on last year, to support the provision of Charitable Grants to our customers.

The money we raise is spent on vehicle adaptations, Advance Payments for vehicles and driving lessons.



Motability helped us with a grant towards the Advance Payment on our vehicle.

We can now attend Lenny's appointments without the worry of how we will get there.

Rachel, Lenny's Mum



### Performance during 2014/15

Motability's fundraising activities have again delivered a strong performance, reflecting the consistent support of many individual and corporate supporters. We continued to invest in growing our sustainable income from a variety of sources to help provide Charitable Grants for Motability customers and we have achieved good growth across the majority of our income streams.

#### Individual Giving

Individual Giving has raised £1.8m, (an increase of 6.5% on last year) and includes income from our three seasonal raffles, appeals, regular donations received from our supporters and income from Gift Aid. The agencies who conduct our Regular Giving calling campaigns are both members of the Institute of Fundraising and the Fundraising Standards Board. Our investment in the promotion of Regular Giving has enabled us to recruit 4,130 new donors who have kindly pledged their support with a Direct Debit, exceeding our target by 18%.

We now have 11,500 supporters who make regular gifts to us, 47% of whom also enable us to claim additional income through Gift Aid. Income from Regular Giving raised £676,000 (an increase of £147,000, 28% on last year). Gift Aid income increased by £15,000, (an increase of 16% on last year) raising £107,000. Regular Giving and Gift Aid income now account for 43% of voluntary income from our supporters (37% in 2013/14).

During the year we conducted a full assessment of our database requirements and concluded that Raisers Edge will continue to provide the required functionality to support the main fundraising activities planned for the next three years.

Our raffle programme continues to be refined and this year has raised £936,000. A highlight was replacing our traditional Autumn raffle with a Christmas themed raffle, resulting in the best performance of an individual Motability raffle for over three years.

#### Trading

We raised £405,000 in commissions from sales of our Home, Pet and Travel Insurance products, an increase of £43,000 (12%) on last year.

Our established Home Insurance product, provided by RSA, continues to be very popular, with 93% of customers choosing to renew their policy each year. We are continuing to develop the promotion of our Motability Pet and Travel Insurance products with the new providers, Cardiff Pinnacle and Gallagher Heath.

Our successful partnership with Haven Holidays continues and commission from sales has raised almost £60,000.

### Charitable Trusts and Foundations

We would like to thank all the trusts and foundations who have supported us during the year and raised £315,000. We are grateful to John James Bristol Foundation, The Zochonis Charitable Trust, The Liz and Terry Bramall Foundation, Queen Mary's Roehampton Trust and Garfield Weston Foundation who have supported us with larger gifts of £10,000 or more. A full list of all the trusts and foundations who have supported throughout the year is detailed on pages 50 and 51.

### Corporate Support and Events

Despite a tough economic climate, we raised £305,000, an increase of 18% on last year. Fundraising activities included employee fundraising, events and donations from corporate supporters. We are grateful to RSA, whose employees funded a new assessment vehicle, raising over £53,000. We would also like to thank Scheme suppliers whose employees took part in the Walkability South event last September, raising over £15,000.

### Legacies

Motability is always grateful to individuals who leave a gift to us in their will. This year we received £76,000 from legacies and in memoriam.

### // Aims for 2015/16

- To provide a steady and sustainable income stream to help fund Motability's Charitable Grants need by maximising the income raised from voluntary sources and trading while minimising any reputational risks for Motability.
- Raise £1.7m net income.
- Continue to develop our Regular Giving Activity.
- Continue to develop and grow Motability's Affinity Insurance products.
- Develop a long term supporter retention strategy.
- Investigate and assess the potential to develop new trading partnerships.



Stephen Hester, RSA Group Chief Executive presented the keys of an adapted car to Motability customer Joe Brazier at RSA's head office in London. Joe is currently learning to drive, having received a charitable grant from Motability to pay for his driving lessons.



## // Giving Grants to our Customers

Motability provides financial help and support to disabled people aged three and above who need financial help towards mobility solutions under the Scheme. Financial help, otherwise known as a 'grant', can help towards Advance Payments for cars, WAVs, driving lessons and adaptations. Support from Motability can mean a world of difference to our beneficiaries and their families.

### Achievements during 2014/15

- Independently conducted customer satisfaction surveys continued to deliver strong results, with overall satisfaction consistent with 2013/14. We maintained our commitment to the quality of our communications with customers and continued to invest in best practice customer service techniques. Case processing times were also kept to a minimum and a choice of how to use a grant continued to be offered wherever possible.

#### Overall satisfaction with the service received from Grants Operations

Apr-Jun14	Jul-Sep14	Oct-Dec14	Jan-Mar15	Objective
96%	97%	97%	96%	85%

- We dealt successfully with unprecedented demand, handling over 17,000 enquiries, providing a prompt and efficient service and working at all times within our targeted service levels.
- We provided 8,138 grants, an increase of 7% on last year.
- We completed a refresh of grants-related content on motability.co.uk, including the publication of our policies on approving grant applications, to make the conditions for qualification accessible and transparent.
- We began a comprehensive renewal of our IT infrastructure, with plans to develop a route for online applications as an alternative to paper.
- Our preparations for supporting customers needing extra help after losing access to the Scheme as a result of not qualifying for the Enhanced Rate of the Mobility Component of Personal Independence Payment were completed.
- We launched a collaborative training programme with the AA Drive School, for their instructors, to enhance their confidence and expertise in teaching disabled students using sophisticated driving controls.

### Operational performance during 2014/15

We provided 8,138 grants, an increase of 7% on last year. The increase in demand saw grants for standard production vehicles up by 2%, Wheelchair Accessible Vehicles (WAVs) up by 3% and driving lessons up by 63%. The demand for driving lessons was particularly strong as a result of the removal of age criteria which previously limited help to those aged under 25. Volumes also remained strong due to the Scheme's high renewal rates, with around 85% of demand for financial help requests being made by renewing customers.

Working with Motability Operations, we launched new mandatory documentation for suppliers to complete for customer demonstrations. Such measures are helping to improve the standard of product demonstrations to customers and are also helping to inform customers of the grant decision-making process. Pricing support was also secured for a range of adaptations, including swivel seats, infra-red driving controls, boot hoists and hoist transfers. The £250,000 saving these measures achieved helped us to meet the year's increased level of demand.

We took 68,000 calls, an increase of 8% on last year. To establish contact, help build rapport and inform customers about the process of applying, we also made a welcome call to every customer on receipt of their application. Our close management of call activity saw an overall service level of 89%, exceeding the industry benchmark of 80% (of calls being picked up within 20 seconds). Our customer satisfaction scores demonstrated the success of our approach throughout the year in delivering consistently high scores for 'overall telephone experience' of 96% to 99%.

## Charitable Grants

Charitable Grants are funded through a combination of Motability's own fundraising activities and the ongoing support of the Motability Tenth Anniversary Trust.

We awarded 3,200 grants, a 2% increase on 2013/14 (3,135), to customers and their families needing help with standard production vehicles or adaptations. This included medium and large-sized Multi-Purpose Vehicle (MPV) solutions suited to those needing higher access seating or sufficient space to store disability equipment. Application processing times remained stable throughout the year, averaging eight days between application receipt and providing a funding decision.

A total of 1,032 learner drivers received grants for lessons (635 in 2013/14), a 63% increase, after the phased removal of age-related criteria. After a strong growth in demand throughout the middle of the financial year, volumes began to fall during the final quarter and are anticipated to further stabilise in 2015/16. During the financial year, 420 students passed their practical driving tests versus 298 in 2013/14, a 41% increase. Application processing times for driving lessons averaged just three days to receive a funding decision.

Charitable Grants' total expenditure was £2.4 million (£2.3 million in 2013/14) against a £2.6 million budget.

## Government Grants – Specialised Vehicles Fund

Motability administers the Government's Specialised Vehicles Fund (SVF) to support people needing financial help towards Wheelchair Accessible Vehicles (WAVs), Drive from Wheelchair/Internal Transfer (DfW/IT) solutions and associated complex adaptations.

The Government provided £18 million during 2014/15 to support the Fund and have agreed to maintain funding at this level for 2015/16.

## Passenger Vehicles

Despite growing demand throughout the year, Motability has worked hard to keep pace and support more people than ever with a WAV. Improved use of model supply and pricing ensured that average grant values remained stable. We have also continued to invest in staff training to further strengthen their understanding of solutions available, so they can deliver advice and appropriate support to our customers.

Grants were provided for 2,526 WAVs (up 2% on 2013/14), plus a further 601 customers requiring help with complex adaptations such as a swivel seat or person hoist. A total of 543 customers (522 in 2013/14) benefitted from lease extensions, saving the fund £2.2m (£2.1m in 2013/14) and sustaining its ability to meet the increased level of demand.

We have also worked closely this year with our partners and the industry to ensure that interruptions to the supply of key models did not negatively impact customers. Application processing times remained stable throughout the year, averaging two weeks to receive a funding decision.

## Drive-from-Wheelchair and Internal Transfer Vehicles

A total of 336 vehicles were completed for customers (367 in 2013/14). We awarded 302 new grants (322 were offered), at a net cost of over £6.9m - this figure no longer includes complex passenger vehicles as these have been reclassified and are now included with statistics for 'Passenger Vehicles'.

Application processing times remained stable throughout the year, averaging 12 weeks between receipt of the customer's application and the issue of a decision following a detailed mobility assessment by one of Motability's regionally-based Mobility Driving Assessors.

In June 2014 we clarified our policy to ensure equal opportunities to those seeking a DfW/IT vehicle for the first time, with those wishing to renew a DfW/IT vehicle approaching the end of its five-year lease. This was supported by an increase in the provision of long term lease extensions to 195 for those approaching the end of their lease and whose vehicles remained suitable for their needs. By avoiding £5.4m of spend we have delivered increased value for customers within the available funding. The relevant policies were also published on [motability.co.uk](http://motability.co.uk) for ease of access and transparency.

## Assessing Complex Needs

Our Mobility Driving Assessors, qualified to Advanced Driving Instructor (ADI) standard, carried out 990 (1,172 in 2013/14) assessments. These assessments are usually carried out at customers' homes, to understand their complex mobility needs and identify solutions which Motability often goes on to fund.

### // Aims for 2015/16

- Maintain the high levels of customer satisfaction with our service.
- Administer the SVF to provide funding or support through Long Term Lease Extensions to at least 350 DFW/IT customers and work sustainably to assist many more customers with WAVs and complex adaptations.
- Administer the Charitable Fund within a maximum net budget of £2.9m.
- Complete the redesign of the Grants IT system Phase 2 to further upgrade its functionality, efficiency, reporting, longevity and security.

# // Summary of Key Risks and Mitigations

The Audit, Risk and Governance Committee review the key risks contained within Motability's risk register and the effectiveness of both internal and external audit. The Scheme Oversight Committee review the performance and principal risks faced by the Motability Scheme. A summary of key risks is reviewed by the Board on an annual basis.

## Summary of Key Risks and Mitigations

Reputational Risks	Potential Impact	Mitigation
An event or media coverage impacts negatively on the reputation of the Scheme and / or effectiveness of our oversight of the Scheme	> Loss of reputation and potential customers	> Effective communication and PR strategy and interaction with disability organisations and with other stakeholders
Welfare reform including the replacement of DLA with PIP may result in customers losing access to the Scheme	> Customer dissatisfaction and negative press coverage of the Scheme	> Our transitional support package will help customers remain mobile
Financial Risks	Potential Impact	Mitigation
Unexpected movements in economic factors	> Increase in pension scheme liability and volatility in reserve levels	> Investment policy supports long term growth together with five year deficit repayment plan
The number of customers not qualifying for PIP may exceed forecast	> Liability exceeds available reserves	> Letter of understanding from Motability Operations to support funding requirement up to our review in Autumn 2015

## Motability Risks and Mitigation

A structured risk management process is used to assess business risks and implement risk management strategies.

### Risk Register

A Risk Register is maintained and updated quarterly by management. Each risk is assessed in terms of gross risk value and then a net risk value, based upon the mitigation control in place.

### Business Continuity

We have in place a business continuity plan which at the extreme, would involve relocating the majority of staff to a disaster recovery site, managed by a third party. This year we reduced the operational recovery time of all key IT services from three days to two days, as part of a successful live test involving representatives from across the business.

## Scheme Risks and Mitigation

Operational and financial risks arising from within Motability Operations are addressed by their own separate Audit Committee, which is chaired by an independent Non-Executive Director.

The Motability Board has put in place a number of actions to review and report on emerging Scheme risks as they affect the overall responsibilities of Governors:

- The Chair of Motability's Audit, Risk and Governance Committee, together with the Director of Motability, attends Motability Operations' Audit Committee meetings, in order to appraise the Board of any emerging risks.
- The Scheme Oversight Committee review a wide range of Scheme performance indicators which include the impact of economic factors on vehicle affordability. Unexpected movements in used car values can have a significant impact on affordability and future pricing. In order to mitigate this risk, Motability Operations use Economic Capital principles to evaluate the potential risks they face in order to ensure that the business remains sustainable through the economic cycle.

# // Report of the Audit, Risk and Governance Committee

## Primary Focus of the Committee

The primary focus of the Audit, Risk and Governance Committee is to review a range of financial, internal control, audit and risk management matters and to make recommendations to the Board as appropriate.

This includes reviews of the:

- Integrity of the financial statements.
- Internal control and risk management systems.
- External auditor's independence and objectivity.
- Effectiveness of the audit process.
- Results of the internal audit work.

The Committee makes recommendations to the Board regarding:

- The appointment and remuneration of the external Auditor.
- The appropriate level of reserves and associated investment strategy.
- Any changes in accounting policies or disclosures in accordance with UK GAAP, the Charities Act 2011 and the Royal Charter.

## Significant Matters

The Audit, Risk and Governance Committee has undertaken a review of a number of significant matters which have a bearing on the integrity of the financial statements.

- Following the announcement in September 2013 that Motability would seek to provide transitional support for Motability customers who can no longer use the Scheme as result of their initial PIP reassessment, a review has been undertaken of the appropriate basis for accounting for this support in 2014/15. Motability's commitment is to fund all allowable claims that have been agreed or initiated until the first review of the package is completed by Governors by the end of December 2015.

On this basis, the provision in our 2014/15 accounts includes the estimated cost of providing support to the projected number of qualifying claimants likely to complete existing or initiate new claims in the nine months to the end of December 2015.

- Notwithstanding that the Defined Benefit Pension Scheme was closed to new employees in 2005 and to existing members in April 2012, the valuation of the pension liability is subject to changes in bond rates used to discount the liability to today's value, changes to the actuarial assumptions used to determine likely average lifespans, and other economic factors. A detailed review of the assumptions used in the actuarial valuation as at 31 March 2015 has been completed and the Committee is satisfied that they represent reasonable estimates. The discount rate has decreased to 3.1% from 4.3% used in the prior year, although offset in part by the growth in asset values representing the most significant reasons behind the increase in the overall liability of £4.4m.
- In assessing our ongoing financial viability, the Committee considered the future impact of potential changes to pension assumptions, the potential costs of the transitional PIP payments, potential reductions in fundraising income and other financial risks and opportunities, covering the period of 12 months from the signature of the Accounts.

## Motability Risks and Mitigation

The Committee examines the effectiveness of the systems of internal control in mitigating risks through reviews of the:

- Risk Register maintained by management and actions taken to reduce the likelihood and impact arising from risk scenarios.
- Reports arising from the implementation of the approved internal audit programme.
- Nature and scope of the external audit and any matters raised by the external Auditor for the attention of management.
- Control reports specifically requested by the Committee.

The Committee has procedures for reporting failings immediately to the appropriate levels of management and to the Board, together with details of corrective action being undertaken.

## Internal Controls

During the year, the Committee reviewed a number of specific issues raised by management or arising from internal audit reports. These included:

- IT Strategy including a proposed investment in the Grants IT system to deliver improved customer service and to provide a platform for online applications.
- The potential impact on Motability of further devolution of responsibility for disabled benefits to Scotland, Northern Ireland and Wales.

At each of its meetings, the Committee reviewed progress, with outstanding recommendations arising from both the internal and external reviews performed and was satisfied that appropriate progress had been made.

## External Audit

Deloitte has been external auditor to Motability for 13 years. Following a tender process in 2013 involving three professional audit firms, the Board agreed with the Committee's recommendation that Deloitte be retained as our auditor.

The Committee reviewed the external audit plan which was based upon Deloitte's assessment of potential audit risks from the charitable activities undertaken during the year. At the meeting in June 2015 the Committee reviewed and discussed with Deloitte its findings following its audit. The key matters of judgement highlighted by Deloitte are included under the Significant Matters heading on page 19. The external audit report is shown on page 25.

## Reputation

The Committee reviewed a number of areas to ensure that reputational risks were minimised. These included:

- Reviews of a number of brand infringements by companies, resulting in 'cease and desist' legal letters.
- Reputational risks that could arise from a high reliance on a relatively small number of suppliers to our Grants Operations.
- A value for money review of vehicle adaptation costs paid for by Motability.
- A review of gifts and hospitality received by staff, in accordance with the policy to protect against bribery and undue influence by suppliers or potential suppliers.

The policy to facilitate 'whistleblowing' was reviewed in 2013 and provides a route for Motability staff to escalate any issues, as appropriate, to the chair of the Audit, Risk and Governance Committee.

## Appointments

Following our Finance Director leaving in November 2014, the Committee provided considerable support to the Director in recruiting a successor for this role. An appointment has been made and the incoming Finance Director will join Motability in August 2015. Between November 2014 and August 2015, Motability has retained the services of an experienced Interim Finance Director.

During the year, the Committee considered an external review which had been commissioned by management into how risks were identified and managed within Motability. Overall, the review concluded that the internal processes worked well but also recommended the appointment of a part-time Internal Auditor to ensure that our internal audit programme is of the highest standard. An Internal Auditor has been recruited and joined Motability in May 2015.

## Treasury Management

Following the donation of £150 million from Motability Operations, the Committee directed the development of cash management policies and the appointment of Barclays to manage an investment portfolio following a competitive tender process.

# // Report of the Remuneration Committee

The Committee recommends to the Board of Governors the policy for the remuneration of Motability's Directors. It will also consider and make broad recommendations on the remuneration policy for Motability's staff, including the provision of pensions.

Motability aims to develop and maintain remuneration strategies and policies in line with its culture and objectives, in order to attract, retain, motivate and effectively reward staff, recognising their contribution to Motability's overall aim. Consistent with this approach, salary levels and benefits are benchmarked to ensure they remain appropriate. Salaries, for both Directors and staff, are usually reviewed once a year, with any changes taking effect from 1 April.

In 2014, the Remuneration Committee commissioned an independent review of Motability's pay and benefits, using comparative data from leading organisations with information on Charity remuneration. The key findings of the review indicated that Motability's pay and benefits were broadly in line with other charities and not-for-profit organisations of similar size and scope.

A valuation of the Motability Defined Benefits Pension Scheme is carried out every three years. As a result of the last valuation in 2013, agreement was reached with the Trustees to a deficit reduction programme over the next five years. The next triennial valuation is planned for 2016.



Motability aims to develop and maintain remuneration strategies and policies, in line with its culture and objectives.



# Financial Review and Results

The Statement of Financial Activities (SoFA) set out on page 26 is designed to reflect all the incoming resources receivable in the year, irrespective of when income is spent.

## Financial Highlights

### Overall

The most significant event in the financial year was the receipt of £150,000,000 from Motability Operations in order to fund the PIP Transitional Support Programme for customers who will need to leave the Scheme following assessment for the PIP benefit that is replacing DLA. The use of this donation is restricted to the PIP Transitional Support Programme.

These financial statements have provided for £25,542,000 being the estimated constructive economic obligation that exists as at March 2015 in relation to PIP Transitional Support. On page 27 of the financial statements a separate column has been included to show the impact of the Transitional Support Grants.

The overall net incoming resources for the year to 31 March 2015 were £118,128,000 (2014:£2,251,000). However, excluding the net movement of funds relating to the PIP Transitional Support Grants, then the net movement in funds for the year to 31 March 2015 showed a decline of £2,268,000 (2014: increase of £2,251,000) with the decline being due mainly to a significant rise in the net liability of the defined benefit pension scheme.

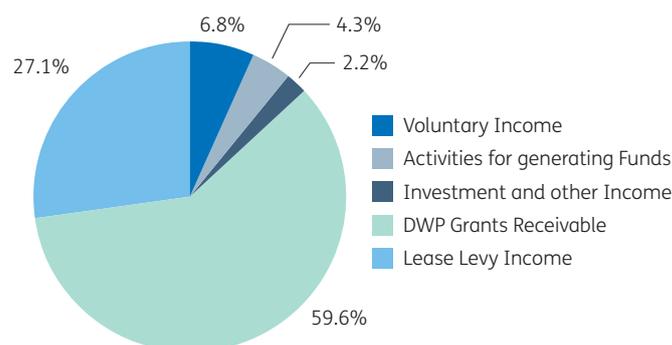
### Incoming Resources

Our incoming resources comprise:

- Voluntary income from regular giving, legacies and other fundraising activities.
- Income from raffles and trading income, principally commissions received in Motability Insurance products sold by third parties. These sources of income are collectively referred to as 'Activities for generating funds'.
- Grants received from the DWP.
- Lease levy income.
- Corporate donations to support specific programmes.

Total incoming resources, excluding donations received to fund the PIP transitional support programme, increased by £2,433,000 to £31,960,000 principally as a result of increased voluntary income, higher interest and investment income and a full year of lease levy income at the new £35 per lease level. The DWP grant for administration costs remained at £1,000,000.

Income Category	% of Total Income	£'000
<b>Fundraising activities</b>		
Voluntary Income	6.8%	2,183
Activities for generating Funds	4.3%	1,385
<b>Total Fundraising</b>		<b>3,568</b>
Investment and other Income	2.2%	714
DWP Grants Receivable	59.6%	19,033
Lease Levy Income	27.1%	8,645
<b>Total</b>	<b>100%</b>	<b>31,960</b>



### Fundraising

The results from fundraising activities which are used to support charitable grant making are included within Incoming Resources from Generated Funds which increased by £713,000 to £3,567,000 in the year and includes donated income of £600,000 from the Motability Tenth Anniversary Trust to fund an increase in charitable grants. Underlying fundraising income rose 4% in the year despite the challenging economic climate.

## Resources Expended

### Grants

Our grant awards comprised:

	2015 £'000	2014 £'000
Motability Funded	2,294	2,258
DWP Funded	18,142	18,207
<b>Total</b>	<b>20,436</b>	<b>20,465</b>

Overall, grant awards at £20,436,000 were marginally lower than the 2014 level of £20,465,000 with expenditure on Specialised Vehicles being £65,000 lower as demand plateaued. The level of Motability funded grants expenditure increased by £36,000 (2014: £504,000) with a rise of expenditure on adaptations and driving lessons, where volumes grew 63% year on year as the age criteria were removed, being offset by higher offsetting discounts received from Motability Operations and a reduction in the committed expenditure level at 31 March 2015.

For customers with heavily adapted vehicles the practice of extending leases by two years continued and the saving in 2015 from deferring expenditure is estimated at £7,843,000 (2014: £4,670,000) allowing Motability to assist significantly more customers in aggregate.

### Administration

Our administration costs comprises of staff costs, premises costs, depreciation on our fixed assets and other overheads. We allocate our costs between those incurred in raising of our Voluntary Income, the costs incurred in Motability's own Grant-Making, DWP Grant-Making and our oversight, communications and governance costs. The breakdown of our costs is shown in note 6 and in summary was:

	2015 £'000	2014 £'000
Staff Costs	5,428	5,207
Premises	435	612
Other	2,635	2,511
<b>Total</b>	<b>8,498</b>	<b>8,330</b>
<b>Split between:</b>		
Cost of Generating Funds	1,186	1,199
Cost of grant administration and scheme operations	7,312	7,131
<b>Total</b>	<b>8,498</b>	<b>8,330</b>

Overall staff costs rose by 4.2% which was due to an increase of two staff and an annual pay award during the year. Premises costs fell by £167,000 as the full year effects of the smaller office space took effect but other costs rose by £124,000. Our costs for generating funds declined to £1,186,000 (2014: £1,199,000) whilst our other administration costs increased by £181,000 to £7,312,000 (2014: £317,000 increase to £7,131,000).

### Fund Balances

Total Fund Balances increased by £118,128,000 (2014: £2,251,000) in the year primarily as a result of the restricted donations received of £150,010,000 to support the PIP Transitional Support programme.

Overall restricted funds grew by £118,087,000 (2014: £2,957,000) including the PIP Transitional Support fund but, excluding this fund, they fell by £2,309,000 (2014: £2,957,000 rise) as, although the Administration Fund income grew to £9,746,000 (2014: £8,818,000) this was negated by the rise in the defined benefit pension deficit during the year to £9,057,000 (2014: £4,685,000).

Unrestricted funds grew by £41,000 to £1,121,000 as at 31 March 2015.

### Investment Policy and Objectives

The Board aims to ensure that the funds are held in institutions, or investments backed by well established corporates, that meet defined security parameters as determined by the main credit rating agencies. Funds are invested over time periods correlated with the required liquidity needs of the organisation as determined by operational cash flow projections. When security and liquidity requirements have been met in full, the board aims to maximise investment return. The £150,000,000 donation received to fund the PIP Transitional Support programme is managed by Barclays on behalf of the charity and is invested in a mixture of corporate bonds, fixed term cash deposits and interest bearing deposit accounts.

### Pensions

Motability operates a funded defined benefit scheme for staff who joined before 1 July 2005. Following consultation with the scheme members, a decision was taken in October 2011 to close the scheme to future accrual which took effect from 30 April 2012.

The last actuarial valuation was carried out at 31 March 2013 and showed the market value of the assets of the scheme to be £12,910,000 and the present value of the liabilities £17,530,000 resulting in an actuarial deficit of £4,620,000 at that date with a funding level of 74% (deficit of £3,169,000 as at 31 March 2010 with a funding level of 75%). Agreement was reached with the scheme's Trustees in February 2014 to the following deficit repayment plan over a period of five years, subject to the outcome of the next triennial valuation as at 31 March 2016:

- £690,000 in each of three years ended 31 March 2014, 2015 and 2016
- £1,220,000 in each of years ended 31 March 2017 and 2018.

Note 20 details the annually calculated notional valuation under FRS17. The deficit has increased from £4,685,000 as at 31 March 2014 to £9,057,000 as at 31 March 2015. The scheme's underlying liabilities have risen to £25,196,000 as at 31 March 2015 (2014: £19,231,000) due to a material reduction in the appropriate discount rate used to 3.1% from 4.3% as corporate bond rates fell during 2014, which has only been partially offset by a rise in the fair value of the scheme's assets to £16,139,000 (2014: £14,546,000).

Following the next triennial valuation in 2016, the Board will review the appropriateness of the current deficit repayment plan.

Motability also operates a defined contribution scheme for new staff joining after 1 July 2005 and for those staff who were members of the defined benefit scheme at 30 April 2012.

## Reserves Policy

### Restricted reserves

Restricted reserves represent unspent donations which are to be applied for specific purposes as required by the donor, the net book value of fixed assets, future administration costs and funds carried forward to future years by agreement with the DWP.

Government grants to disabled people are provided within the agreed annual funding limits. However, cash expenditure is affected by the vehicle and adaptation lead time and as a result, £499,000 of the annual grant was unspent at year end and has been carried over to 2015, with the agreement of the DWP.

### Unrestricted reserves

Unrestricted reserves are held to ensure that Motability can maintain the current level of grant commitments should there be a temporary reduction in income.

The policy is to ensure that there are at least two months' reserves at any time to pay current levels of grant commitments. The policy has been reviewed annually by the Board and is based upon an evaluation of the risks associated with fundraising income from individual donations and corporate sponsorship.

Unrestricted reserves for the group at 31 March 2015 totalled £1,121,000 (2014: £1,080,000). This represents seven months' charitable expenditure during the year (2014: six months). The reserve has been maintained to ensure that the charity is able to meet any future volatility in grant requests that may arise.

## Going concern

The financial plans of Motability, covering the period of not less than 12 months from the date of signing the financial statements, have been reviewed in detail, in particular the approved annual budget, the commitment from the government in respect of grants receivable, the value of the future lease levy and the level of reserves. On this basis, we believe that the going concern assumption continues to be appropriate and that Motability has a sound financial basis upon which to build for the future.

## Future plans and the year ahead

Motability's plans for the future are based around our key areas of responsibility set out on page one, taking into account our current performance, feedback from our customers and an assessment of the risks which we face.

### We direct and oversee the Motability Scheme

The Scheme Oversight Committee reviews the performance and principal risks faced by the Motability Scheme which are set out on page 18.

### We administer the Government's Specialised Vehicle Fund

With the funding for these specialised vehicles maintained for 2015/16, we plan to continue to manage customer demand through the arrangement of long term lease extensions and continue to identify and leverage cost-saving opportunities on Advance Payments, adaptations and dealer options.

### We raise funds for our own Charitable Fund

The focus will continue to ensure that fundraising efforts are focused on steadily increasing the level of sustainable funds raised through the established Regular Giving campaigns and the Affinity Insurance Programmes. This will assist in ensuring that the demand for charitable grants can continue to be met in the future.

### We support qualifying customers who lose Scheme eligibility

We will continue to manage the PIP Transitional Support Programme as the expected coverage of the programme increases and the levels of customers being assessed for PIP grows rapidly over the future years, ensuring that customers who lose eligibility to remain as members of the Scheme are supported in line with the current transitional support levels, subject to the planned review in Autumn 2015.

### Summary

In these challenging times for our customers, Motability will continue to offer affordable mobility and excellent service through the Motability Scheme, with financial help available to those most in need from our fundraising activities and the Governments' Specialised Vehicles Fund.

### Auditors

A resolution to re-appoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

### By order of the Board

**The Lord Sterling of Plaistow GCV O CBE**  
Chairman

26 August 2015

# Independent Auditor's Report to the Governors of Motability

We have audited the financial statements of Motability for the year ended 31 March 2015 which comprise the Group Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes numbered 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Trustees and Auditor

As explained more fully in the Trustees' Responsibilities Statement, the Governors, as trustees, are responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charity's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Trustees and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2015, and of the incoming resources and application of resources of the group, of the year then ended
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Charities Act 2011 and the Royal Charter.

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

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

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

## Deloitte LLP

Chartered Accountants and Statutory Auditors  
London

Deloitte LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

26 August 2015

# Consolidated Statement of Financial Activities

for the year ended 31 March 2015

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Total 2015 £'000	Total 2014 £'000
<b>Incoming Resources</b>					
Voluntary Income - Fundraising		1,800	383	2,183	1,486
Voluntary Income - PIP Transitional Support Donations		-	150,010	150,010	-
Activities for Generating Funds		1,385	-	1,385	1,368
Income from sales of Fixed Assets		-	22	22	12
Interest Receivable		15	317	332	62
Investment Income		-	360	360	-
<b>Incoming Resources from Generated Funds</b>	<b>3</b>	<b>3,200</b>	<b>151,092</b>	<b>154,292</b>	<b>2,928</b>
DWP Grants Receivable	4	-	19,033	19,033	18,956
Lease Levy Income		-	8,645	8,645	7,643
<b>Incoming Resources from Charitable Activities</b>		<b>-</b>	<b>27,678</b>	<b>27,678</b>	<b>26,599</b>
<b>Total Incoming Resources</b>		<b>3,200</b>	<b>178,770</b>	<b>181,970</b>	<b>29,527</b>
<b>Resources Expended</b>					
Cost of Generating Voluntary Income		758	13	771	758
Fundraising Trading: Cost of Goods Sold and Other Costs		415	-	415	441
<b>Cost of Generating Funds</b>	<b>6</b>	<b>1,173</b>	<b>13</b>	<b>1,186</b>	<b>1,199</b>
Motability Funded Grant-Making	5	1,986	1,906	3,892	3,802
Motability Funded Transitional Support Grants	5, 6	-	29,822	29,822	-
DWP Funded Grant-Making	4	-	20,522	20,522	20,525
Scheme Operations/Communications	6	-	2,835	2,835	2,850
<b>Cost of Charitable Activities</b>		<b>1,986</b>	<b>55,085</b>	<b>57,071</b>	<b>27,177</b>
<b>Governance Costs</b>	<b>6</b>	<b>-</b>	<b>499</b>	<b>499</b>	<b>419</b>
<b>Total Resources Expended</b>	<b>6, 7</b>	<b>3,159</b>	<b>55,597</b>	<b>58,756</b>	<b>28,795</b>
<b>Net Incoming Resources before other recognised gains and losses</b>		<b>41</b>	<b>123,173</b>	<b>123,214</b>	<b>732</b>
<b>Other recognised gains and losses</b>					
Actuarial (loss)/gain on defined benefit scheme	20.5	-	(4,634)	(4,634)	1,519
Unrealised gain/(loss) on Current Asset Investments		-	(452)	(452)	-
<b>Net Movement in Funds</b>		<b>41</b>	<b>118,087</b>	<b>118,128</b>	<b>2,251</b>
Fund Balances brought forward 1 April		1,080	5,797	6,877	4,626
<b>Fund balances carried forward 31 March</b>	<b>19, 18</b>	<b>1,121</b>	<b>123,884</b>	<b>125,005</b>	<b>6,877</b>

The Group has no recognised gains or losses other than those shown in the Consolidated SoFA, and no separate statement of total recognised gains and losses is presented. The notes on pages 31 to 48 form an integral part of the financial statements. All the Group's activities in this and the prior period were continuing.

Gross incoming resources of the parent charity were £181,429,000 (2014: £29,039,000) and its net incoming resources for the year was £122,945,000 (2014: 469,000).

# Consolidated Statement of Financial Activities by Activity for the year ended 31 March 2015

	Motability Grants to Disabled People £'000	Government Grants to Disabled People £'000	Admin and Support £'000	Transitional Support Grants £'000	Total 2015 £'000	Total 2014 £'000
<b>Incoming Resources</b>						
Voluntary Income - Fundraising	2,121	-	62	-	2,183	1,486
Voluntary Income - Transitional Support Donations	-	-	-	150,010	150,010	-
Activities for Generating Funds	1,385	-	-	-	1,385	1,368
Income from sale of Fixed Assets	-	-	22	-	22	12
Interest Receivable	15	-	17	300	332	62
Investment Income	-	-	-	360	360	-
<b>Incoming Resources from Generated Funds</b>	<b>3,521</b>	<b>-</b>	<b>101</b>	<b>150,670</b>	<b>154,292</b>	<b>2,928</b>
DWP Grants Receivable	-	18,033	1,000	-	19,033	18,956
Lease Levy Income	-	-	8,645	-	8,645	7,643
<b>Incoming Resources from Charitable Activities</b>	<b>-</b>	<b>18,033</b>	<b>9,645</b>	<b>-</b>	<b>27,678</b>	<b>26,599</b>
<b>Total Incoming Resources</b>	<b>3,521</b>	<b>18,033</b>	<b>9,746</b>	<b>150,670</b>	<b>181,970</b>	<b>29,527</b>
<b>Resources Expended</b>						
Cost of Generating Voluntary Income	771	-	-	-	771	758
Fundraising Trading: Cost of Goods Sold and Other Costs	415	-	-	-	415	441
<b>Costs of Generating Funds</b>	<b>1,186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,186</b>	<b>1,199</b>
Motability Funded Grant-making	2,294	-	1,598	-	3,892	3,802
Motability Funded Transitional Support Grants	-	-	-	29,822	29,822	-
DWP Funded Grant-making	-	18,142	2,380	-	20,522	20,525
Scheme Operations/Communications	-	-	2,835	-	2,835	2,850
<b>Cost of Charitable Activities</b>	<b>2,294</b>	<b>18,142</b>	<b>6,813</b>	<b>29,822</b>	<b>57,071</b>	<b>27,177</b>
<b>Governance Costs</b>	<b>-</b>	<b>-</b>	<b>499</b>	<b>-</b>	<b>499</b>	<b>419</b>
<b>Total Resources Expended</b>	<b>3,480</b>	<b>18,142</b>	<b>7,312</b>	<b>29,822</b>	<b>58,756</b>	<b>28,795</b>
<b>Net Incoming/(Outgoing) Resources before other recognised gains and losses</b>	<b>41</b>	<b>(109)</b>	<b>2,434</b>	<b>120,848</b>	<b>123,214</b>	<b>732</b>
<b>Other recognised gains and losses</b>						
Actuarial (loss)/gain on defined benefit scheme	-	-	(4,634)	-	(4,634)	1,519
Unrealised (loss) on Current Asset Investments	-	-	-	(452)	(452)	-
<b>Net Movement in Funds</b>	<b>41</b>	<b>(109)</b>	<b>(2,200)</b>	<b>120,396</b>	<b>118,128</b>	<b>2,251</b>
Fund Balances brought forward 1 April	1,082	632	5,163	-	6,877	4,626
<b>Fund Balances carried forward 31 March</b>	<b>1,123</b>	<b>523</b>	<b>2,963</b>	<b>120,396</b>	<b>125,005</b>	<b>6,877</b>

The analysis by activity shows the relationship between the sources of income and resources expended.

Motability grants made to disabled people are funded by voluntary income and generated income after deducting the cost of generating funds. Government grants made to disabled people are funded by DWP grants receivable. Administration and support costs are funded by DWP grants receivable, lease levy, interest receivable and voluntary income. Transitional Support Grants are funded by donations received from Motability Operations to provide support to customers who on assessment for PIP are no longer eligible to remain on the Scheme. Governors will review all aspects of the PIP support package in the Autumn of 2015.

# Balance Sheet

at 31 March 2015

	Note	Group		Charity	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Fixed Assets</b>	10	<b>2,484</b>	<b>2,724</b>	<b>2,484</b>	<b>2,724</b>
<b>Current Assets</b>					
Debtors	11	9,608	7,242	9,956	7,548
Current Asset Investments	12	111,280	-	111,280	-
Short-Term Deposits	13	27,000	1,000	27,000	1,000
Cash	13	18,183	8,860	17,772	8,534
		<b>166,071</b>	<b>17,102</b>	<b>166,008</b>	<b>17,082</b>
Creditors: amounts falling due within one year	14	(8,912)	(8,250)	(8,864)	(8,245)
Provisions	15	(25,542)	-	(25,542)	-
<b>Net Current Assets</b>		<b>131,617</b>	<b>8,852</b>	<b>131,602</b>	<b>8,837</b>
<b>Total Assets less Current Liabilities</b>		<b>134,101</b>	<b>11,576</b>	<b>134,086</b>	<b>11,561</b>
Creditors: amounts falling due after one year	16	(39)	(14)	(39)	(14)
<b>Net Assets excluding pension liability</b>	17	<b>134,062</b>	<b>11,562</b>	<b>134,047</b>	<b>11,547</b>
Pension Liability	20.1	(9,057)	(4,685)	(9,057)	(4,685)
<b>Net Assets including pension liability</b>		<b>125,005</b>	<b>6,877</b>	<b>124,990</b>	<b>6,862</b>
<b>Represented by:</b>					
Restricted Funds					
Balance before Pension Deficit	18	132,941	10,482	132,941	10,481
Pension Deficit	18, 20.2	(9,057)	(4,685)	(9,057)	(4,685)
<b>Total Restricted Funds</b>		<b>123,884</b>	<b>5,797</b>	<b>123,884</b>	<b>5,796</b>
Unrestricted Funds	19	1,121	1,080	1,106	1,066
<b>Total Funds</b>		<b>125,005</b>	<b>6,877</b>	<b>124,990</b>	<b>6,862</b>

The notes on pages 31 to 48 form an integral part of the financial statements.

The financial statements on pages 26 to 48 were approved by the Board of Governors on 26 August 2015 and were signed on its behalf by:

*The Lord Sterling of Plaistow GCV O CBE, Chairman*  
*Richard Bennison, Hon. Treasurer*

# Group Balance Sheet by Activity

at 31 March 2015

	Motability Grants to Disabled People £'000	Government Grants to Disabled People £'000	Admin and Support £'000	Transitional Support Grants £'000	Total 2015 £'000	Total 2014 £'000
<b>Fixed Assets</b>	–	–	<b>2,484</b>	–	<b>2,484</b>	<b>2,724</b>
<b>Current Assets</b>						
Debtors	189	6,323	1,704	1,392	9,608	7,242
Current Asset Investments	–	–	–	111,280	111,280	–
Short-Term Deposits	1,000	–	–	26,000	27,000	1,000
Cash	1,362	511	8,819	7,491	18,183	8,860
	<b>2,551</b>	<b>6,834</b>	<b>10,523</b>	<b>146,163</b>	<b>166,071</b>	<b>17,102</b>
Creditors: amounts falling due within one year	(1,428)	(6,311)	(948)	(225)	(8,912)	(8,250)
Provision	–	–	–	(25,542)	(25,542)	–
<b>Net Current Assets</b>	<b>1,123</b>	<b>523</b>	<b>9,575</b>	<b>120,396</b>	<b>131,617</b>	<b>8,852</b>
<b>Total Assets less Current Liabilities</b>	<b>1,123</b>	<b>523</b>	<b>12,059</b>	<b>120,396</b>	<b>134,101</b>	<b>11,576</b>
Creditors: amounts falling due after one year	–	–	(39)	–	(39)	(14)
<b>Net Assets excluding pension liability</b>	<b>1,123</b>	<b>523</b>	<b>12,020</b>	<b>120,396</b>	<b>134,062</b>	<b>11,562</b>
Pension Liability	–	–	(9,057)	–	(9,057)	(4,685)
<b>Net Assets including pension liability</b>	<b>1,123</b>	<b>523</b>	<b>2,963</b>	<b>120,396</b>	<b>125,005</b>	<b>6,877</b>
<b>Represented by:</b>						
Restricted Funds						
Balance before Pension Deficit	2	523	12,020	120,396	132,941	10,482
Pension Deficit	–	–	(9,057)	–	(9,057)	(4,685)
<b>Total Restricted Funds</b>	<b>2</b>	<b>523</b>	<b>2,963</b>	<b>120,396</b>	<b>123,884</b>	<b>5,797</b>
Unrestricted Funds	1,121	–	–	–	1,121	1,080
<b>Total Funds</b>	<b>1,123</b>	<b>523</b>	<b>2,963</b>	<b>120,396</b>	<b>125,005</b>	<b>6,877</b>

The analysis shows the balances which relate to each of Motability's primary activities.

Motability grants to disabled people are supported by a reserves policy which aims to hold two months of Charitable Grants in reserves.

Government grants to disabled people are provided within the agreed annual funding limits. However, cash expenditure is affected by the vehicle and adaptation lead time and as a result, £499,000 of the annual grant was unspent at year end and has been carried over to 2016, with the agreement of the DWP.

# Consolidated Cash Flow Statement

for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Net cash inflow from operating activities</b>	22	<b>34,856</b>	<b>610</b>
<b>Returns on investments and servicing of finance</b>			
Interest receivable		332	62
Investment income		360	-
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>692</b>	<b>62</b>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets	10	(247)	(2,687)
Proceeds from sale of tangible fixed assets		22	12
<b>Net cash outflow from capital expenditure</b>		<b>(225)</b>	<b>(2,675)</b>
<b>Cash inflow/(outflow) before management of liquid resources</b>		<b>35,323</b>	<b>(2,003)</b>
<b>Management of liquid resources</b>			
(Increase)/Decrease in short-term deposits		(26,000)	6,000
<b>Increase in cash</b>		<b>9,323</b>	<b>3,997</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
		2015 £'000	2014 £'000
Increase in cash		9,323	3,997
Cash inflow/(outflow) from liquid resources		26,000	(6,000)
<b>Movement in net cash in the year arising from cash flows</b>		<b>35,323</b>	<b>(2,003)</b>
<b>Net funds at 1 April</b>		<b>9,860</b>	<b>11,863</b>
<b>Net funds at 31 March</b>		<b>45,183</b>	<b>9,860</b>

## Analysis on Net Funds

	2014 £'000	Cash Flow £'000	2015 £'000
Short-Term deposits (note 13)	1,000	26,000	27,000
Cash (note 13)	8,860	9,323	18,183
<b>Net funds</b>	<b>9,860</b>	<b>35,323</b>	<b>45,183</b>

The notes on pages 31 to 48 form an integral part of the financial statements.

# Notes to the Financial Statements

## 1 Accounting policies

### Consolidation

The financial statements of the wholly owned subsidiary, Motability Enterprises Limited, have been consolidated with those of the Charity on a line by line basis. The principal activity of Motability Enterprises Limited during the year was the raising of funds for the Charity.

### Basis of Accounting

The financial statements have been prepared under the historic cost convention on a going concern basis, as noted on page 5 of the Governors' Report in accordance with the Statement of Recommended Practice 2005 issued by the Charity Commission and applicable accounting standards in the United Kingdom and in compliance with the Charities Act 2011. A summary of accounting policies consistently applied is set out below:

#### a) Incoming Resources

Income is accounted for on the basis of entitlement, certainty of receipt and measurability.

Incoming resources from generated funds, donations and income received from Motability Operations, are recorded on a receivable basis and support from the Motability Tenth Anniversary Trust is recorded on a cash received basis.

DWP grants receivable for grants to disabled people are accrued to match the expenditure up to the level which has been agreed for future spending with the DWP. Grant income in relation to support and administration costs is received from Government and recognised when receivable.

Administration and support costs, net of the DWP contribution, are covered by a levy on Motability Operations' leases to customers. Cash is received as a single payment at lease inception and income is recognised on a receivable basis.

Interest and investment income is recognised on an accruals basis.

#### b) Resources Expended

Grants to disabled people are recognised when they have been approved, to the extent that a legal or constructive obligation exists to provide the services agreed.

Grant expenditure on driving lessons is based upon the higher of the actual number of lessons taken during the year or the average number of lessons which customers take to complete their instruction.

The 'Cost of Generating Funds' comprises costs directly attributable to activities for generating funds such as the administration of the national raffles and the running of fundraising events together with fundraising expenses.

The 'Cost of Charitable Activities' includes central overheads which are apportioned to operational and Grant-Making functions.

Governance costs include audit fees, legal advice for Governors relating to the financial management of the Charity and compliance with constitutional and statutory requirements.

All non directly attributable support costs are allocated to resources expended on a headcount basis.

#### c) Fixed Assets

Assets are included on the balance sheet at cumulative historic cost less depreciation and any impairments in accordance with FRS 15. An annual review of all assets is undertaken to ascertain any impairments. Expenditure on fixed assets is capitalised, where individual items cost £500 or more, in the year of acquisition and depreciation is charged annually. Fixed assets are depreciated on a straight line basis over their anticipated useful lives as follows:

**Leasehold improvements and office furniture:** *Ten years*

**Fixtures and fittings:** *Five years*

**Computer hardware and software:** *Three years*

**Vehicles:** *Two to three years*

#### d) Fund Accounting

Unrestricted funds comprise the accumulated movement on funds available for use at the absolute discretion of the Governors. Any transfer between funds requires the approval of the Audit, Risk and Governance Committee.

Restricted funds are funds subject to specific restrictions imposed by the donor mainly government departments providing funds for the purpose of Grant-Making and supporting Motability's administration and support costs.

#### e) Pension Costs

The Charity operates a defined benefit pension scheme for certain employees. The amounts charged in resources expended are the current service costs with gains and losses on settlements and curtailments included as part of staff costs. Vested past service costs are recognised immediately in the SoFA. The interest cost and the expected return on assets are charged to net finance charges within support costs. Actuarial gains and losses are recognised immediately as 'FRS 17 Actuarial Gains/Losses'.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the group, in separate trustee-administered funds. The pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the attained age method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

The Charity also operates a defined contribution scheme and the amount charged to the Consolidated SoFA in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### f) Leases

Leases are classified as finance leases if they transfer substantially all the risks and rewards of ownership and are included on the balance sheet as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. All other leases are classified as operating leases, with the lease payments recognised as an expense over the lease term on a straight-line basis. The nature of the current and prior year lease commitments were of an operating nature and consequently no leases fall to be capitalised under this policy.

#### g) Accounting for PIP Transitional Support Payments

All potential future PIP transitional support payments, for which a constructive obligation is deemed to exist at the balance sheet date, have been provided for as a balance sheet provision with the costs shown separately within Cost of Charitable Activities. The constructive liability is deemed to exist for all projected customers eligible for a transitional support payment until the date that any future changes to the current support programme could be practically implemented.

# Notes to the Financial Statements

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## 2 Trading Activities of the Subsidiary

The Charity has a wholly owned trading subsidiary, Motability Enterprises Limited, which is incorporated in the UK. Motability Enterprises Limited raises funds on behalf of Motability and passes up its trading profits to Motability under company Gift Aid without deduction of tax. A summary of its trading results extracted from its full accounts is shown below, with further detail on Corporate Support and Events and Trading, included in the report on fundraising on pages 14 and 15.

	2015 £'000	2014 £'000
<b>Income and Expenditure Account</b>		
Turnover	541	488
Less cost of sales	(79)	(87)
Gross profit	462	401
Administration expenses	(194)	(139)
Interest receivable	1	1
Gift aided to Motability	(269)	(263)
<b>Net profit</b>	<b>-</b>	<b>-</b>
<b>Retained in Subsidiary</b>	<b>-</b>	<b>-</b>

The increase in turnover arises from the growth in commission from Insurance Products to the Charity.

## 3 Incoming Resources from Generated Funds

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2015 £'000	Total 2014 £'000
<b>Voluntary Income:</b>				
Fundraising	1,200	383	1,583	1,486
Tenth Anniversary Trust Voluntary Donations	600	10	610	-
Transitional Support	-	150,000	150,000	-
	<b>1,800</b>	<b>150,393</b>	<b>152,193</b>	<b>1,486</b>
<b>Activities for Generating Funds:</b>				
Trading Subsidiary Income (Note 2)	541	-	541	488
Raffles held in Great Britain	844	-	844	880
	<b>1,385</b>	<b>-</b>	<b>1,385</b>	<b>1,368</b>
Income from sale of Fixed Assets	-	22	22	12
Interest Receivable	15	317	332	62
Investment Income	-	360	360	-
<b>Incoming Resources from Generated Funds</b>	<b>3,200</b>	<b>151,092</b>	<b>154,292</b>	<b>2,928</b>
<b>Income from Fundraising Activities:</b>				
Voluntary Fundraising Income	1,200	383	1,583	1,486
Trading Subsidiary Income (Note 2)	541	-	541	488
Raffles held in Great Britain	843	-	843	880
<b>Fundraising Activities</b>	<b>2,584</b>	<b>383</b>	<b>2,967</b>	<b>2,854</b>

Voluntary Income arises from both Fundraising activities and grants which are applied for from the Tenth Anniversary Trust. The increase in fundraising income of £97,000 from £1,486,000 last year to £1,583,000 is due to additional income received from fundraising campaigns in support of charitable grants. A grant of £600,000 was received from the Tenth Anniversary Trust this year (2014: Nil). Transitional Support income of £150,000,000 (2014: Nil) relates to income received in the period from Motability Operations to provide transitional support to Scheme customers who no longer are eligible to access the Scheme following reassessment for PIP.

## 4 Department for Work and Pensions (DWP) Funding

	2015		2014	
	Income £'000	Expenditure £'000	Income £'000	Expenditure £'000
<b>Grants to Disabled People:</b>				
Ex-Invalid Vehicle Scheme	6	5	13	13
War Pensioners	202	202	190	189
Specialised Vehicles Funds	17,825	17,935	17,753	18,005
<b>DWP Grants to Disabled People</b>	<b>18,033</b>	<b>18,142</b>	<b>17,956</b>	<b>18,207</b>
Support Costs	1,000	2,380	1,000	2,318
<b>Total DWP Grant-Making</b>	<b>19,033</b>	<b>20,522</b>	<b>18,956</b>	<b>20,525</b>

## 5 Motability Funded Grant-Making

	2015 £'000	2014 £'000
<b>Grants to Disabled People:</b>		
Adaptations and Advance Payments	4,247	3,808
Driving Lessons	984	629
Lease Refunds	(330)	(288)
Motability Operations Discount	(2,312)	(2,082)
Movement in Commitments	(295)	191
<b>Charitable Grants to Disabled People</b>	<b>2,294</b>	<b>2,258</b>
Support Costs	1,598	1,544
<b>Total Motability Funded Grant-Making</b>	<b>3,892</b>	<b>3,802</b>

The number of Charitable Grants awarded in 2015 increased to 4,232 (2014: 3,770).

£2,312,000 (2014: £2,082,000) was received as a discount negotiated with Motability Operations on vehicles for customers whose leases had been supported by Charitable Grants.

	2015 £'000	2014 £'000
<b>Grants to Transitional Support customers</b>		
Transitional support payments	4,280	-
Provisions - see note 15	25,542	-
<b>Total Transitional Support grants</b>	<b>29,822</b>	<b>-</b>

The number of Transitional Support payments made in 2015 was 2,409 (2014: Nil).

# Notes to the Financial Statements

continued...

## 6 Analysis of Total Resources Expended

	Grants to Disabled People £'000	Support Costs			Total 2015 £'000	Total 2014 £'000
		Staff Costs £'000	Premises £'000	Other £'000		
- Cost of Generating Voluntary Income	-	252	14	505	771	758
- Cost of Goods Sold and Other Costs	-	218	12	185	415	441
<b>Total Cost of Generating Funds</b>	<b>-</b>	<b>470</b>	<b>26</b>	<b>690</b>	<b>1,186</b>	<b>1,199</b>
<b>Motability Funded Grant-Making</b>	2,294	1,163	114	321	3,892	3,802
<b>Motability Funded Transitional Support Costs (note 15)</b>	29,822	-	-	-	29,822	-
<b>DWP Funded Grant-Making (note 4)</b>	18,142	1,784	148	448	20,522	20,525
<b>Scheme Oversight/Communications</b>	-	1,658	134	1,043	2,835	2,850
<b>Governance Costs</b>	-	353	13	133	499	419
<b>Total Resources Expended</b>	<b>50,258</b>	<b>5,428</b>	<b>435</b>	<b>2,635</b>	<b>58,756</b>	<b>28,795</b>

Other costs include £1,945,000 (2014: £1,812,000) of allocated costs, principally Finance, Human Resources and IT costs of £322,000 (2014: £223,000); depreciation of £486,000 (2014: £352,000) and a further £685,000 (2014: £667,000) of Scheme communications costs. No support costs have been allocated to Motability Funded Transitional Support Costs as administration of the payment of these grants is undertaken by Motability Operations as part of their vehicle handback process without charge to Motability.

## 7 Resources Expended

The following have been charged within resources expended:

	2015 £'000	2014 £'000
Auditors – Fees for the Statutory Audit	36	32
Fees for other services	2	-
Publicity expenses	707	681
Depreciation	486	352
<b>Operating Lease Rentals</b>		
Premises	241	262
Vehicles	15	13
Plant and Machinery	11	9

## 8 Governors, Staff and Related Parties

### (a) Numbers and costs

The number of Governors during the year and average number of persons employed by the Group during the year analysed by category, was as follows:

	2015 Number	2014 Number
Administration	106	103
Fundraising	9	10
Governors	10	11
	<b>125</b>	<b>124</b>

The aggregate payroll costs of administration and fundraising were as follows:

	2015 £'000	2014 £'000
Salaries including benefits in kind	3,367	3,263
Staff restructure programme	151	71
Social Security costs	330	331
Pension costs: Defined benefit	8	11
Pension costs: Defined contribution	406	402
Pension costs: FRS 17	508	447
Other staff costs	228	161
	<b>4,998</b>	<b>4,686</b>

The number of employees whose emoluments for the year fell within the following bands:

	2015	2014
£170,000 to £179,999	1	–
£160,000 to £169,999	1	1
£150,000 to £159,999	–	–
£140,000 to £149,999	–	–
£130,000 to £139,999	–	–
£120,000 to £129,999	–	1
£110,000 to £119,999	–	–
£100,000 to £109,999	1	1
£90,000 to £99,999	–	–
£80,000 to £89,999	–	–
£70,000 to £79,999	3	4
£60,000 to £69,999	2	2

All of the above employees (2014: All) accrue benefits in the defined contribution pension scheme. Pension contributions for these employees totalled £88,000 (2014: £114,000).

The emoluments of the highest paid employee in 2015 include £74,000 as compensation for loss of office in year ended 31 March 2015.

# Notes to the Financial Statements

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## (b) Governors' emoluments

No Governor received any emoluments during the year (2014: Nil).

Two Governors (2014: Two) received reimbursement of expenses amounting to £1,405 (2014: £338).

## (c) Professional indemnity

Appropriate insurance has been arranged by the Charity to indemnify Governors and employees for their legal liability for damages and legal expenses arising from the performance of their duties.

## (d) Related parties

Motability direct and oversee the Motability Scheme which is operated on behalf of Motability by Motability Operations, an independent commercial company owned by four major banks. Motability paid Motability Operations £21,300,000 (2014: £20,206,000), in respect of grants awarded to customers, to fund Advance Payments and adaptations on vehicles provided under the contract hire or hire purchase schemes by Motability Operations to customers in receipt of grants. This includes £2,864,000 (2014: £2,082,000) received as a discount, negotiated with Motability Operations on vehicles for customers whose leases had been supported by Charitable Grants. As at 31 March 2015 Motability Operations was due £831,256 (2014: £407,349) from Motability.

In addition, £2,676,000 (2014: £2,850,000) was received from Motability Operations as rebates, where customers early terminated their hire agreements, in respect of grant awards towards Advance Payments and adaptations managed by Motability Operations.

Motability received from Motability Operations £8,645,000 (2014: £7,643,000) in respect of a levy on the leases to defray Motability's administration costs in processing charitable grants applications and support for the Scheme. As at 31 March 2015 £1,332,618 (2014: £1,290,870) was due to Motability from Motability Operations.

Motability received donations totalling £150,000,000 (2014: Nil) from Motability Operations in order to initially fund the PIP Transitional Support Programme.

Motability also held investments in Motability Operations valued at £1,862,017 as at 31 March 2015 as a part of its investment portfolio which is managed on its behalf by Barclays. This investment was 1.9% of the overall investment portfolio held at that date.

Motability has taken the exemption under FRS8 from disclosing transactions with its trading subsidiary, Motability Enterprises Limited.

## (e) Related Charity

The Motability Tenth Anniversary Trust Limited (MTAT) was set up to provide long term support to Motability by providing income to assist in the funding of Charitable Grants and the provision of other support which meets Motability's objective. MTAT is an independent charity but two of the six MTAT Trustees also serve as Governors of Motability. The Governors do not regard MTAT as a related party as defined by FRS8. During the period, a request was made by Motability for grant funding of £600,000 (2014: £Nil) and MTAT provided donations of £10,000 (2014: £Nil) for the PIP Transitional Support programme.

## 9 Fixed Asset Investment in Subsidiary Undertaking

Motability holds 99 ordinary shares of £1 each in Motability Enterprises Limited, a company which is registered in England. The company carries out certain trading activities in order to raise funds for Motability (Note 2).

## 10 Fixed Assets

	Leasehold Improvements £'000	Office Furniture £'000	Fixtures and Fittings £'000	Computer Hardware £'000	Computer Software £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>							
Balance at 1 April 2014	2,248	209	230	640	905	453	4,685
Additions	4	15	24	44	102	58	247
Disposals	–	–	(3)	–	–	(101)	(104)
<b>At 31 March 2015</b>	<b>2,252</b>	<b>224</b>	<b>251</b>	<b>684</b>	<b>1,007</b>	<b>410</b>	<b>4,828</b>
<b>Depreciation</b>							
Balance at 1 April 2014	112	10	169	483	813	373	1,960
Charge for the year	225	21	20	83	61	76	486
Disposals	–	–	(1)	–	–	(101)	(102)
<b>At 31 March 2015</b>	<b>337</b>	<b>31</b>	<b>188</b>	<b>566</b>	<b>874</b>	<b>348</b>	<b>2,344</b>
<b>Net book value</b>							
<b>At 31 March 2015</b>	<b>1,915</b>	<b>193</b>	<b>63</b>	<b>118</b>	<b>133</b>	<b>62</b>	<b>2,484</b>
<b>At 31 March 2014</b>	<b>2,136</b>	<b>199</b>	<b>60</b>	<b>157</b>	<b>92</b>	<b>80</b>	<b>2,724</b>
<b>The net book value at 31 March 2015 represents tangible fixed assets used for:</b>							
Direct charitable purposes	1,915	193	63	118	133	62	2,484
	<b>1,915</b>	<b>193</b>	<b>63</b>	<b>118</b>	<b>133</b>	<b>62</b>	<b>2,484</b>

The fixed assets of the Group are the same as those of the Charity.

The opening balances as at 1 April 2014 were restated following a review of classifications.

# Notes to the Financial Statements

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## 11 Debtors

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Ex-Invalid Vehicle Scheme	-	2	-	2
War Pensioners	47	51	47	51
Specialised Vehicles Funds	6,252	5,489	6,252	5,489
<b>Total owed by DWP</b>	<b>6,299</b>	<b>5,542</b>	<b>6,299</b>	<b>5,542</b>
Other Debtors	1,487	1,410	1,410	1,329
Due from Subsidiary	-	-	453	395
Prepayments and accrued income	1,822	290	1,794	282
<b>Total Debtors</b>	<b>9,608</b>	<b>7,242</b>	<b>9,956</b>	<b>7,548</b>

Government Grants	Ex-IVS	War Pensioners	SVF	2015 Total	2014 Total
Amounts owed by DWP at 1 April	2	51	5,489	5,542	4,826
Expenditure	7	205	17,585	17,797	17,358
Movement in Commitments	(2)	(3)	357	352	856
Interest	-	-	(6)	(6)	(7)
Grants to Disabled People	5	202	17,936	18,143	18,207
Income Receivable from DWP	(6)	(202)	(17,825)	(18,033)	(17,956)
Changes in Working Capital	(1)	(4)	652	647	465
<b>Amounts owed by DWP at 31 March</b>	<b>-</b>	<b>47</b>	<b>6,252</b>	<b>6,299</b>	<b>5,542</b>

## 12 Current Asset Investments

at 31 March 2015, investments comprised:

	2015 £'000	2014 £'000
Multi-Asset	12,890	-
Short Maturity Bonds	32,085	-
Canadian Government Bonds	1,498	-
Investment Grade Bonds	64,807	-
	<b>111,280</b>	<b>-</b>
Investments held as follows:	2015 £'000	2014 £'000
UK	29,480	-
Non-UK	81,800	-
	<b>111,280</b>	<b>-</b>

These investments have arisen due to the receipt of the donations received to fund the PIP Transitional Support programme.

## 13 Cash and Term Deposits

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash	18,183	8,860	17,772	8,534
Short-Term Deposits	27,000	1,000	27,000	1,000
<b>Total Cash and Short-Term Deposits</b>	<b>45,183</b>	<b>9,860</b>	<b>44,772</b>	<b>9,534</b>

### Represented by:

<b>Motability Funds</b>	<b>44,672</b>	<b>9,242</b>	<b>44,261</b>	<b>8,916</b>
<b>Amounts held in respect of:</b>				
Ex-Invalid Vehicle Scheme	3	1	3	1
War Pensioners	12	11	12	11
Specialised Vehicles Funds	496	606	496	606
<b>Total Cash and Term Deposits</b>	<b>45,183</b>	<b>9,860</b>	<b>44,772</b>	<b>9,534</b>

Cash includes balances on interest bearing premium accounts and current accounts.

Cash and short term deposits have increased primarily due to the receipt of donations to fund the PIP Transitional Support programme.

## 14 Creditors: amounts falling due within one year

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Trade Creditors</b>				
<b>Authorised grants awaiting payment:</b>				
Charitable Grants	1,227	1,523	1,227	1,523
Specialised Vehicles Fund	5,499	5,141	5,499	5,141
Ex-Invalid Vehicle Scheme	-	2	-	2
War Pensioners	34	37	34	37
<b>Trade Creditors</b>	<b>1,480</b>	<b>690</b>	<b>1,463</b>	<b>690</b>
<b>Taxation and social security</b>	<b>386</b>	<b>337</b>	<b>385</b>	<b>337</b>
<b>Accruals</b>	<b>285</b>	<b>519</b>	<b>255</b>	<b>514</b>
<b>Deferred Income</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total Creditors falling due within one year</b>	<b>8,912</b>	<b>8,250</b>	<b>8,864</b>	<b>8,245</b>

# Notes to the Financial Statements

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## 15 Provisions

	2015 £'000	2014 £'000
Personal Independence Payment (PIP) Transitional Support	25,542	–

In 2013 Motability announced that it would financially help customers to sustain their mobility who, due to the transition from Disability Living Allowance to Personal Independence Payment (PIP), would no longer qualify for benefits allowing them to lease a vehicle under the Motability Scheme. For affected customers returning their vehicles in an acceptable condition, and within the designated time period, Motability is providing a support payment of £2,000 for customers where the customer originally joined the scheme before 31 December 2012 and £1,000 for customers who joined the scheme in 2013. In order to fund this transition support until the first published review date in Autumn 2015, Motability Operations provided a donation of £150,000,000 during the 13-14 financial year and £4,280,000 had been spent by 31 March 2015.

In order to ensure the most effective use of the available funds, Governors will review all aspects of the support package in Autumn 2015, taking account of customer feedback, economic circumstances and any possible changes the Government may be making to PIP at that time. In the 2013-14 financial statements, due to the fact that the support programme was in its initial stages and a reliable estimate of the financial obligation was not possible, a contingent liability was disclosed. As at 31 March 2015, the support programme has been running for a year and management believe that a reasonable estimate of the constructive economic obligation as at 31 March 2015 can be established, and have accounted for this by way of provision. Our estimate of the provision recognises that we are committed to providing the current level of transitional support to all qualifying customers invited for reassessment before 31 January 2016. This date would allow for communication to the customers of any potential changes to the Scheme in January 2016 following the review in Autumn 2015, with any agreed changes operational from February 2016 onwards.

The provision included is therefore based on the estimated cost of providing support to the projected numbers of qualifying claimants likely to complete existing, or initiate new claims in the ten months until 31 January 2016, following a full review of the operation and future of the support programme in Autumn 2015, including the level of support that can be provided to future current scheme members who lose their eligibility following assessment for PIP. The provision included is based on a number of assumptions, of which the major items are:

1. The number and timing of customer PIP assessments – the growth in geographical coverage of re-assessments and the consequential rise in customers becoming eligible for PIP transitional support payments has been based on available data. The commencement of re-assessing customers with indefinite DLA awards is predicted as the beginning of October 2015.
2. The failure rate – the percentage of customers becoming ineligible for the necessary level of PIP award following re-assessment has been estimated at 40% in line with experience to March 2015.
3. Weighted average support payment – the average cost of the support payment is assumed at £1900 per customer based on an analysis of the actual existing customer profile at the commencement of the support programme.
4. The elapsed time to complete a customer assessment – this is estimated at five months from invitation to be assessed for PIP through to payment.
5. Customer adherence to payment qualification criteria – the main assumption is the number of customers not returning their vehicles within the allowed time, who lose eligibility for support, and this is estimated at 10%.

The above assumptions are subject to a level of individual uncertainty as the re-assessment of DLA customers is nearing the end of its initial year and the re-assessment of the larger group of customers with indefinite DLA awards is not due to commence until October 2015. Given the uncertainty relating to the timing of when transitional support payments will be made, management estimate that the actual potential payment experience will be between £20,700,000 (low) to £27,400,000 (high) in the period to 30 June 2016 based on eligible customers who have been invited to PIP assessment prior to 31 January 2016.

The balance of £120 million from the £150 million donated by Motability Operations is held as a restricted reserve that will be used in future years to fund similar payments to customers leaving the Scheme following a PIP reassessment.

## 16 Creditors: amounts falling due after one year

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amortised rent free period on current premises lease	39	14	39	14
<b>Total Creditors falling due after one year</b>	<b>39</b>	<b>14</b>	<b>39</b>	<b>14</b>

## 17 Analysis of Group Net Assets/Liabilities between Funds

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
<b>Fund Balances at 31 March 2015 are represented by:</b>			
Tangible fixed assets	-	2,484	2,484
Current assets	2,530	163,541	166,071
Current liabilities	(1,409)	(33,045)	(34,454)
Creditors over one year	-	(39)	(39)
<b>Net Assets excluding pension liability</b>	<b>1,121</b>	<b>132,941</b>	<b>134,062</b>
Pension liability	-	(9,057)	(9,057)
<b>Net Assets including pension liability</b>	<b>1,121</b>	<b>123,884</b>	<b>125,005</b>

# Notes to the Financial Statements

continued...

## 18 Restricted Funds

The income funds of the Group and the Charity include restricted funds comprising donations, other income and Government grants to be applied for specific purposes:

	Balance 31/3/14 £'000	Incoming Resources £'000	Expenditure, Gains and Losses £'000	Balance 31/3/15 £'000
<b>Movement in Funds:</b>				
Fundraising – Donations and appeals	2	321	(321)	2
PIP Transitional Support Programme	–	150,670	(30,274)	120,396
Government funding and other income in relation to administration costs	9,848	9,746	(7,573)	12,021
<b>Other Government Funding:</b>				
Ex-Invalid Vehicle Scheme	1	6	(5)	2
War Pensioners	24	202	(202)	24
Specialised Vehicles Funds	607	17,825	(17,936)	496
<b>Balance before pension deficit</b>	<b>10,482</b>	<b>178,770</b>	<b>(56,311)</b>	<b>132,941</b>
Pension Deficit	(4,685)	–	(4,372)	(9,057)
<b>Total Restricted Funds</b>	<b>5,797</b>	<b>178,770</b>	<b>(60,683)</b>	<b>123,884</b>

Donations and appeals represent monies received to which the donor reserves a specific purpose.

The balance held under PIP Transitional Support Programme represents the reserve held to meet future potential support payments to be made to scheme customers who become ineligible to remain in the Scheme.

Details of Government funds are shown in Note 4.

The balance held under government funding and other income represents a reserve for future fluctuations in administration costs including pension costs and the net book value of fixed assets used for direct charitable purposes.

## 19 Unrestricted Funds

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Balance brought forward 1 April	1,080	1,786	1,066	1,772
Movement in funds for year	41	(706)	40	(706)
<b>Balance carried forward 31 March</b>	<b>1,121</b>	<b>1,080</b>	<b>1,106</b>	<b>1,066</b>

The balance of unrestricted funds represents funds generated from trading, competitions and other voluntary income and expended within the charitable objectives of the Charity.

## 20 Pension Arrangements

The Group has operated a defined benefit scheme for its employees since November 1988 under which a separate fund is being accumulated to meet the accruing liabilities which is held under a trust, entirely separate from the Charity's assets. Payments to the scheme are made in accordance with the recommendations of qualified actuaries.

From 1 October 2005 changes were made to the defined benefit pension scheme:

- The scheme was closed to new members
- Employees who wished to retain the 1/60th benefit were asked to increase their contributions.
- The ability to retire before 65 without actuarial reduction was removed.
- A defined contribution scheme was available from that date to any employees wishing to receive pension benefits.

The defined benefit scheme was closed to future accrual from 30 April 2012.

The last actuarial valuation was prepared using the "Attained Age" method, as at 31 March 2013. This valuation used the following assumptions:

	%
Investment return in deferment	5.30
Investment return in payment	3.00
Salary increases	NIL
Pension increases (2.70% for GMP)	3.00

At 31 March 2013 the market value of the scheme's assets was £12,910,000, the present value of liabilities was £17,530,000, resulting in an actuarial deficit of £4,620,000, equivalent to a funding level of 74%. The employer, having considered the various recovery plans, agreed to pay £690,000 each year for the next three years and £1,220,000 for the following two years from that date following agreement with the pension trustees.

A qualified actuary using revised assumptions that are consistent with the requirements of FRS 17 has updated the actuarial valuation described above at 31 March 2015. Investments have been valued for this purpose at fair value.

The pension cost to the Charity under FRS 17 was £516,000 (2014: £458,000).

The major assumptions used for the FRS 17 actuarial valuation were:

	2015 %	2014 %	2013 %
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase in pensions in payment	2.4	2.7	3.5
Discount rate	3.1	4.3	4.1
Price inflation	3.3	3.6	3.6

# Notes to the Financial Statements

continued...

**20.1** The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

	2015 %	2015 £'000	2014 %	2014 £'000	2013 %	2013 £'000
Equities	3.10	9,089	5.70	8,204	4.80	4,291
Bonds / Gifts	3.10	5,153	3.80	4,442	4.10	2,353
Cash	3.10	1,180	0.50	1,570	0.50	1,487
Property and other	3.10	717	5.70	330	4.80	5,635
<b>Total fair value of assets</b>		<b>16,139</b>		<b>14,546</b>		<b>13,766</b>
Present value of scheme liabilities		(25,196)		(19,231)		(20,293)
<b>Net pension liability</b>		<b>(9,057)</b>		<b>(4,685)</b>		<b>(6,527)</b>

The rates used for the expected return on scheme assets are based on the requirements of SORP 2015 (FRS102) as these determine the predicted return in the year to 31 March 2016, when the new standard will have been adopted. The contribution rate for 2015 was NIL of pensionable earnings (2014: NIL) due to the scheme being closed to future accrual with effect from 30 April 2012.

	2015 %	2014 %
Equities	56.31	56.40
Bonds / Gilts	31.93	30.54
Cash	7.31	10.79
Property and others	4.45	2.27

The liabilities were valued using the following mortality assumptions:

- Basetable "92 series"
- Future mortality improvements: long cohort projections with 1% underpin
- Age rating: None

The following table illustrates members' life expectancy in years, at the age of 65, based on the mortality assumptions above:

	2015	2014
<b>Retiring Now</b>		
Males	23.6	23.5
Females	26.0	25.9
<b>Retiring in 20 years</b>		
Males	26.8	26.7
Females	29.2	29.1

**20.2** The movement in the scheme's deficit over the year to 31 March 2015 is summarised as follows:

	2015 £'000	2014 £'000
<b>The Pension Deficit as at 31 March comprises:</b>		
Pension Deficit at 1 April	(4,685)	(6,527)
Actuarial (loss)/gain in the year	(4,634)	1,519
Deficit Recovery Plan Payment	690	690
Contribution to Scheme administration costs	80	80
<b>Subtotal</b>	<b>(8,549)</b>	<b>(4,238)</b>
<b>Analysis of amounts (charged)/credited to the SoFA for the year:</b>		
Employer's contributions	8	11
Other finance cost	(182)	(262)
Current service cost	(334)	(196)
<b>Subtotal</b>	<b>(508)</b>	<b>(447)</b>
<b>Pension Deficit at 31 March</b>	<b>(9,057)</b>	<b>(4,685)</b>

**20.3** Analysis of the amount that has been charged/(credited) to operating profit under FRS 17:

	2015 £'000	2014 £'000
Current service cost	334	196
Gain on settlements and curtailments	-	-
<b>Total</b>	<b>334</b>	<b>196</b>

**20.4** Analysis of the amount that has been debited to net finance charges under FRS 17:

	2015 £'000	2014 £'000
Expected return on pension scheme assets	647	567
Interest on pension scheme liabilities	(829)	(829)
<b>Total</b>	<b>(182)</b>	<b>(262)</b>

# Notes to the Financial Statements

continued...

## 20.5 Analysis of the amount that has been recognised in the Statement of Total Recognised Gains and Losses (STRGL):

	2015 £'000	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	777	(49)	571
Experience gains/(losses) arising on the scheme liabilities	111	(1,252)	145
Changes in the assumptions underlying the present value of the scheme liabilities	(5,522)	2,820	(2,514)
<b>Total</b>	<b>(4,634)</b>	<b>1,519</b>	<b>(1,798)</b>

## 20.6 History of Experience gains and losses

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
<b>Difference between actual and expected return on assets</b>					
Amount	777	(49)	571	(435)	315
% of scheme assets	4.8%	(0.3%)	4.1%	(3.5%)	2.7%
<b>Experience gains and losses arising on liabilities</b>					
Amount	111	(1,252)	145	(84)	1,428
% of scheme assets	0.7%	(8.6%)	1.1%	(0.7%)	12.4%
<b>Total amount recognised in STRGL</b>					
Amount	(4,634)	1,519	(1,798)	(3,251)	3,190
% of scheme assets	(28.7%)	10.4%	(13.1%)	(26.4%)	27.7%

## 21 Commitments

### Operating Leases

Amounts payable in the following year under operating leases with expiry dates:

	Premises		Other	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Within one year	-	-	-	-
Between one and five years	-	-	21	21
Over five years	288	309	-	-
<b>Total</b>	<b>288</b>	<b>309</b>	<b>21</b>	<b>21</b>

## 22 Reconciliation of Net Movement in Funds with the Net Cash Inflow from Operating Activities

	2015 £'000	2014 £'000
Net movements in funds before other recognised gains and losses	123,214	732
FRS 17 Adjustment (Note 20.2)	508	447
Pension Deficit Recovery Plan payment (Note 20.2)	(770)	(770)
Unrealised loss on current asset investments	(452)	-
Interest receivable	(332)	(62)
Investment Income	(360)	-
Increase in debtors	(1,608)	(52)
Increase in Current Asset Investments	(111,280)	-
Increase in amount owing by DWP	(757)	(716)
Increase/(Decrease) in creditors	630	(355)
Increase in authorised grants awaiting payment	57	1,046
Increase in Transitional Support Provision	25,542	-
Depreciation	486	352
Cash on sale of fixed assets	(22)	(12)
<b>Net cash inflow from operating activities</b>	<b>34,856</b>	<b>610</b>

## 23 Taxation

As a registered charity, Motability is potentially exempt from taxation of income and gains falling within Part 11 Income and Corporation Taxes Act 2010 and s256 Taxation Chargeable Gains Act 1992. No tax charge has arisen in the year. No tax charge has arisen in the subsidiary due to the policy of gifting profits to Motability each year.

# // Thank You

## Companies, Organisations and Individuals

On behalf of all our customers who have benefitted from their generosity, Motability would like to thank everyone who supported us in 2014/15.

In particular we wish to acknowledge the support of:

AA Drivetech  
Abcam plc  
Abridge Vehicle Management  
Accenture  
Acorn Vehicle Solutions Ltd  
Adam Lambert  
Aides to Living  
Ai Claims Solutions  
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The Goodwill Partnership  
The Grand Hotel, Bristol  
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Wragge Lawrence Graham & Co LLP  
York Racecourse

# // Thank You

## Charitable Trusts and Foundations

We would like to thank all the charitable trusts and foundations that helped us to raise £315,000 towards our ongoing charitable work in 2014/15.

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Frances O'Grady

## **Contacts**

### **Key Executive Staff**

#### **Director**

Declan O'Mahony

#### **Finance and Support Services Director**

Gary Spilman (to November 2014)

#### **Fundraising Director**

Hazel Gotfraind

### **Auditor**

#### **Deloitte LLP**

Chartered Accountants and Statutory Auditor

City House

2 New Street Square

London

EC4A 3BZ

### **Bankers**

#### **Barclays Bank plc**

Harlow Business Centre

Harlow

Essex

CM20 1ET

#### **Bank of Scotland**

First Floor, Pentland House

8 Lockside Avenue

Edinburgh Park

South Gyle

Edinburgh

EH12 9DJ

#### **The Royal Bank of Scotland Group**

Fifth Floor

21 St. Philips Place

Birmingham

B3 2RB

### **Solicitors**

#### **Wragge Lawrence Graham & Co LLP**

4 More London Riverside

London

SE1 2AU





If you would like a copy of this report in large print or an alternative format, please call **01279 632085**

Motability, Warwick House, Roydon Road,  
Harlow, Essex CM19 5PX

Telephone: **01279 635999**

Customer Helpline: **0300 456 4566**

Website: **[motability.co.uk](http://motability.co.uk)**

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