

Annual Report and Accounts // 2016/17



Patrons, Governors and Members

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

Chief Patron

Her Majesty The Queen

Patrons

The Rt Hon David Cameron
The Rt Hon Nick Clegg
The Rt Hon Ed Miliband MP
The Rt Hon Iain Duncan Smith MP
The Rt Hon Tony Blair
The Rt Hon the Baroness Hollis of Heigham DL

Life Vice-President

Roly Stafford OBE

Governors

Chairman: The Rt Hon the Lord Sterling of Plaistow GCVO CBE
Vice-Chairman: Sir Gerald Acher CBE LVO
Hon Treasurer: Richard Bennison FCA
Jerome Church OBE (deceased 11 June 2016)
Professor Peter Cooke (deceased 3 November 2016)
Alan Dickinson
Ed Humpherson (appointed 24 October 2016)
Joanna Lewis
Sir Bert Massie CBE DL
Paul Spencer CBE
Professor Adrian V Stokes OBE

Members

Don Brereton CB
Brian Carte TD
Morigue Cornwell MBE
Christopher E Fay CBE
Sam Gallop CBE
Tim Gooch
The Rt Hon the Lord Hague of Richmond
Joe Hennessy OBE
Raymond King
Edward Lester
The Baroness Masham of Ilton DL
The Hon Sara Morrison
Noel Muddiman CBE
Frances O'Grady



Contents

About us

About Motability and What We Do	02
Chairman's Statement	04
40th Anniversary	06
The Motability Scheme	08

Governance

Board of Governors	09
Governors' Report -	11
• Report of the Scheme Oversight Committee	15
• Supporting Scheme Customers Affected by PIP	19
• Report of the Audit, Risk and Governance Committee	21
• Report of the Funding and Grant-Making Committee	26
• Report of the Remuneration Committee	31
Financial Review and Results	33

Auditor's Report

Independent Auditor's Report to the Governors of Motability	37
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Financial Statements

Consolidated Statement of Financial Activities	38
Consolidated Statement of Financial Activities by Activity	39
Statement of Financial Activities (Charity Only)	41
Balance Sheet	42
Group Balance Sheet by Activity	43
Consolidated Cash Flow Statement	44
Notes to the Financial Statements	45

Acknowledgements

Thank You - Charitable Trusts and Foundations	68
Contacts	69

About Motability and What We Do

Our Vision – Motability is an organisation which aims to transform the lives of millions of disabled people by facilitating their personal mobility. This allows 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 – in short, to enjoy the independence that so many of us take for granted.

Our Purpose and Charitable Objectives

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

Motability has one subsidiary, Motability Enterprises Ltd whose activities are consolidated within the Motability financial statements, see page 38 for more information.

The Motability Scheme

The Motability Scheme enables disabled people to use their mobility allowance to lease a new car, scooter or powered wheelchair. Take a look at page 8 for more information about the Motability Scheme.

Currently over 630,000 people use and benefit from the Motability Scheme. Since the first cars were delivered in 1978, the Scheme has provided over four and a half million cars, powered wheelchairs and scooters.

Motability's areas of responsibility include:

- Setting the strategic policies and direction of the Motability Scheme (which comprises the Car Scheme and the Powered Wheelchair and Scooter Scheme) and overseeing its performance to ensure that it meets the needs of disabled people.

Our Values

- We work together to enhance the lives of disabled people.
 - We show empathy and respect to everyone.
 - We value the expertise of those we work with.
 - We are friendly, honest and approachable.
 - We encourage a culture of continuous improvement.
- Providing charitable grants to disabled people who would not otherwise be able to afford the vehicle or adaptations they need. These grants are principally funded from Motability Operations and from The Motability Tenth Anniversary Trust, see page 3 for more information.
 - Raising awareness of the Scheme among potential customers and the people who advise them, for example, health professionals, so that they can make an informed decision as to whether they join the Scheme or not.

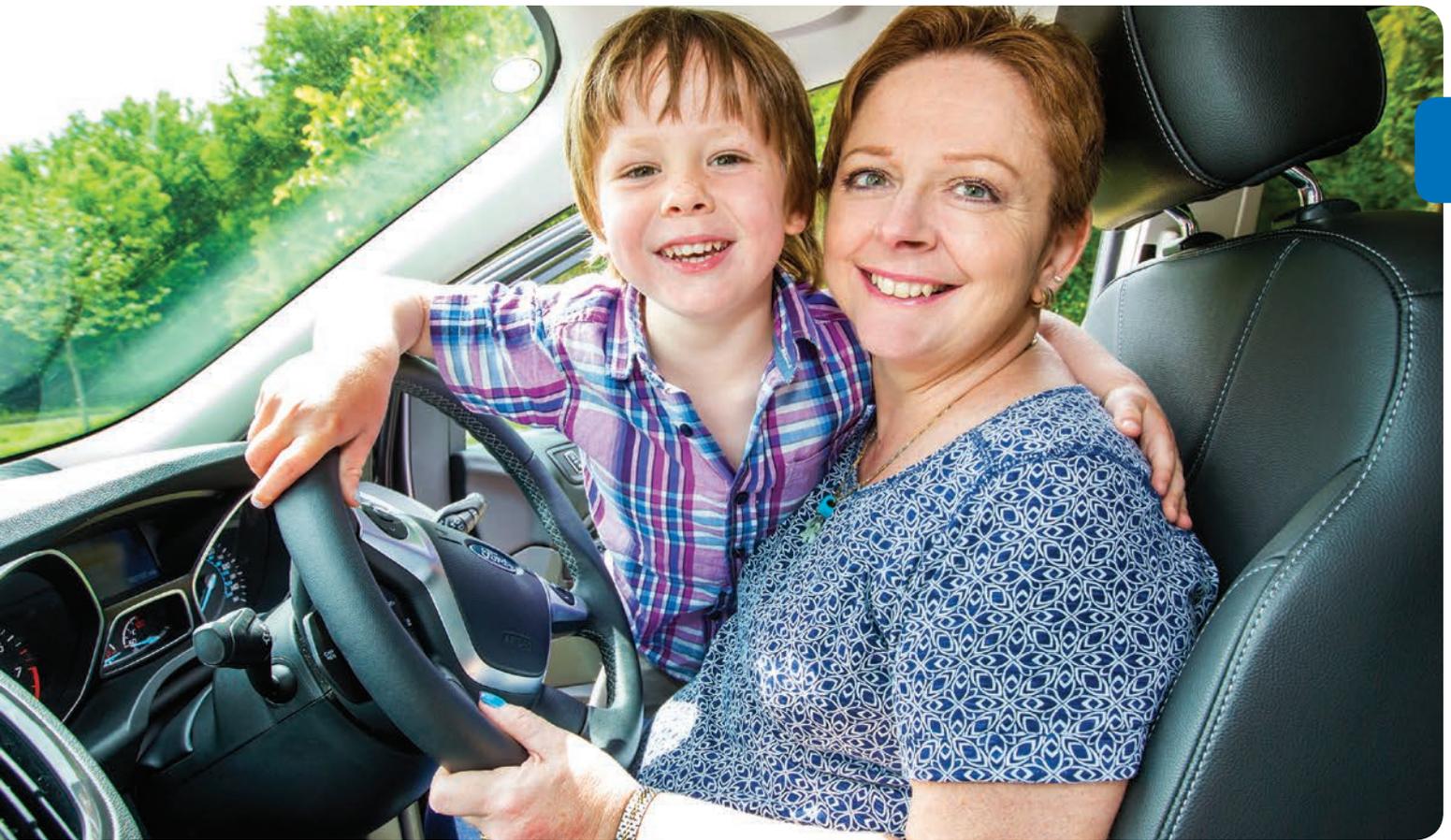
Motability Operations

Motability Operations (formerly Motability Finance Ltd) was established by the UK clearing banks

in 1978, working solely for Motability, to deliver the Motability Scheme. Any profits are non-distributable and are retained for the benefit of the Scheme. This can include donations to Motability or to The Motability Tenth Anniversary Trust.

Motability Operations employs around 800 people, based in two locations, London and Bristol. They work with over 30 leading car manufacturers, who provide a choice of 2,000 makes and models to Scheme customers. The relationship with manufacturers and the 18,000 trained Motability Scheme Specialists at their franchised dealerships is invaluable to the Motability Scheme, helping to deliver a unique service and value for money to disabled people. Further detail can be found in Motability Operations' Annual Report, visit motabilityoperations.co.uk to read this.

Motability's oversight of Motability Operations ensures that the Scheme delivers value for money and a unique level of customer service to disabled people, in a sustainable manner. Motability reviews Motability Operations' performance against contractual Key Performance Indicators (KPIs) on a quarterly basis; these are related to customer service, affordability and sustainability, and appropriate actions are taken in the event of any shortfalls in performance. Motability's oversight focuses on the outcomes for disabled people using the Scheme.



The Motability Tenth Anniversary Trust

The Motability Tenth Anniversary Trust is a separate registered charity. It was established in 1989 to hold and disburse funds to support Motability's charitable objectives, principally by providing charitable grants to disabled people who wish to achieve personal mobility for the first time by joining the Motability Scheme, and to assure continued mobility over the years for those who have already joined the Scheme.

The Trustees have provided ongoing support to disabled people, while endeavouring to preserve and enhance the real value of the funds. The Trust has also agreed to fund Drive-from-Wheelchair vehicles to a limited number of Scheme customers for the three calendar years 2016, 2017 and 2018. This followed the Department for Work and Pensions' (DWP) decision in December 2015 to cease further payments to their Specialised Vehicles Fund (SVF), which Motability had previously administered on their behalf.

In addition, the Trust considers requests from Motability to provide funds for a range of charitable

purposes, including grants to other charitable organisations engaged in projects related to mobility for disabled people. For example, during this year the Trust, in consultation with Motability, funded research on the usability of Wheelchair Accessible Vehicles (WAVs) and adaptations, as well as funding a project to identify policy initiatives that would support the employment of disabled people.

Public and Charitable 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 2016/17 and setting out the aims for 2017/18. Through the Motability Scheme which it directs and oversees, Motability transforms the lives of over 630,000 disabled people and their families. The Scheme uses its purchasing power and management capability to provide affordable vehicles and adaptations, supported by the unique level of customer service required by disabled people. In reviewing the performance and future aims, Governors have due regard for the guidance published by the Charity Commission on public benefit and have complied with Section 17 of the Charities Act 2011 in this respect.



Over 630,000
people use and benefit from the
Motability Scheme



1977
Motability was established

Chairman's Statement

When the late Lord Goodman and I founded this great enterprise 40 years ago, neither of us could have envisaged just how successful Motability would become in its aim to provide a 'road to freedom' for disabled people and their families, by restoring to them the opportunity for independent mobility.



The Rt Hon the Lord Sterling of Plaistow GCV O CBE
Chairman of Motability

One constancy throughout Motability's history has been the unfailing support of our Chief Patron, Her Majesty The Queen.

We recently celebrated the 40th anniversary of Motability at Windsor

Castle, where Her Majesty kindly handed over the keys to a number of Scheme customers, demonstrating how Motability has supported millions of disabled people throughout the United Kingdom, for whom an affordable new car provides levels of freedom and independence that would otherwise be beyond their reach.

It was also a great honour for Motability to be represented at the Patron's Lunch, an event in June 2016, celebrating The Queen's patronage of over 600 charities and organisations on the occasion of her 90th birthday. This involved Scheme customers and members of staff from Motability and Motability Operations.

Throughout our 40 years we have weathered both economic and political uncertainty; a key challenge today remains the introduction of Personal Independence Payments (PIP) and the impact this has on those customers who find that their eligibility to use the Scheme ends as a result of their PIP reassessment. While we cannot replicate the benefits of the Scheme

on an ongoing basis, as an organisation with a long history of providing a unique service for disabled people, we do provide support and advice to help such customers through what will be a difficult transition for both them and their families.

Each year we review how the charitable transitional support we provide is helping to keep customers mobile if they leave the Motability Scheme as a result of their PIP reassessment. The support includes a payment of up to £2,000 as well as individual support and advice, particularly in regard to insurance. The research has shown that 84% of people who have received help to date were able to purchase a car and over 93% stated this support was important in helping them to stay mobile. Motability has already paid £70million in transitional support payments and we intend to provide such help until the programme of reassessments is completed. Motability Operations have provided a total of £175million in the form of charitable donations to Motability in order to facilitate this programme.

We continue to maintain a close working relationship with the DWP and in April 2017, the Minister for Disabled People, Work and Health, Penny Mordaunt MP, announced a series of enhancements to the Motability transitional support package for these Scheme customers. These changes, which include additional time before they need to return their Scheme car, will be helpful to those disabled people, in particular to those who are challenging the DWP award through reconsideration and appeal.



40th
anniversary year of the
formation of Motability



4.5million
vehicles provided to
disabled people



During the year, we concluded that it was no longer necessary to request voluntary donations from our supporters. Additional activities that could enhance the lives of Scheme customers may be developed in the future, and identifying and developing priority projects will be key for the year ahead.

I am grateful for the continued commitment and wise counsel of the Governors of Motability. It was with great sadness that we have lost the splendid input of Professor Peter Cooke, who died in November 2016. Peter was appointed as a Governor in May 2010. We welcomed a new Governor, Ed Humpherson, to the Board in October 2016. Ed works at the UK Statistics Authority, where he is Director General for Regulation at the Office for Statistics Regulation. Prior to joining the Authority, Ed was a Board Member and Executive Leader for Economic Affairs at the National Audit Office. He also has a deep personal interest in disability. See page 9 for further details about our Governors.

May I say how much I appreciate the splendid input of Sir Gerald Acher, our

Vice-Chairman and Chairman of the Scheme Oversight Committee and Remuneration Committee, Richard Bennison, our Honorary Treasurer and Chairman of the Audit, Risk and Governance Committee and Professor Adrian V Stokes, Chairman of the Funding and Grant-Making Committee.

I am also very grateful for the dedication of our Director, Declan O'Mahony and all of the Executives and staff at Motability for their professionalism and warm commitment to our endeavours.

We work in a seamless fashion with Motability Operations. Under the leadership of its Chairman, Neil Johnson, and his Chief Executive, Mike Betts, Motability Operations continues to provide outstanding service to customers and maintains excellent relationships with the banking partners, manufacturers, dealers and other key suppliers to the Scheme.

Despite the many challenges arising not only from the transition to PIP but also from the economic and political uncertainties ahead, I am

confident that our financial strength and our unique partnerships, spanning the charitable and private sectors and Government, will enable us to maintain our first-class service, supporting the mobility of disabled people and their families in the decades to come.

May I finish by saying that the pleasure for all of us involved with Motability's endeavours is the wonderful empathy we see from all who help to deliver the Motability Scheme. Paul Barrett, a Royal Marine veteran who sustained life-changing injuries while serving as a Mountain Leader 1st Class in Afghanistan, was one of those presented with the keys to his new vehicle by Her Majesty at Windsor Castle. I'm sure you will agree that his quote below says it all.

'I cannot commend enough the provision of a reliable new vehicle to provide a family with the hassle-free ability and support to work, holiday, create experiences and live a life with minimum worry. It has provided a sense of self-esteem and self-confidence to me as a father and husband.'

Motability Celebrates 40th Anniversary at Windsor Castle with Her Majesty The Queen

In a message to Motability, Her Majesty The Queen kindly said:

“I congratulate Motability not only on reaching its 40th anniversary, but also during this time, how it has changed and enriched the lives of millions of disabled people, their families and friends by helping them to access a world of increased mobility and freedom.”



On 25 April 2017, Her Majesty The Queen presented five disabled people and their families with the keys to their new vehicles. These were:



Paul Barrett, a Royal Marine veteran, who served as a Mountain Leader 1st Class. He sustained life changing injuries due to an Improvised Explosive Device (IED) whilst serving on operations in Afghanistan. Paul received the keys to his Nissan X-Trail Automatic, his third vehicle on the Scheme. It is fitted with a twin flip folding left foot accelerator and a quick release steering wheel aid.



Eckveer Ramburn, aged 11, whose new wheelchair accessible vehicle, a Ford Tourneo, means he can now travel safely in his wheelchair, to be taken to school and after school clubs. This vehicle is fitted with a ramp and tie downs so that Eckveer's parents do not have to lift him into it, making travelling so much easier for the family.



Allan Carter, a customer since 1978, contracted polio at the age of 11. His new vehicle, a SEAT Alhambra Automatic, has been fitted with an electric transfer plate and wheelchair hoist. This will be his 13th car on the Scheme. When he first learned to drive, Allan used a blue 'invalid trike' but, like many disabled drivers, he found it to be anti-social as it could not carry passengers, and difficult to handle on the roads.



Olivia Wray, a student with autism, whose car will allow her to get to college where she studies Animal Care, Maths and English. Her car is her first on the Scheme and is a Vauxhall Adam. Olivia is currently learning to drive with lessons funded by a Motability grant.



Edward Todino, a disability advisor at Kingston University, whose adapted 'Drive-from-Wheelchair' (DfW) vehicle, a Mercedes Sprinter and his first car on the Scheme, will allow him to continue to be mobile and remain independent.



The Queen also viewed the special features and adaptations of the Motability Scheme vehicles. During the demonstration Her Majesty saw significant technological advances made over the course of the last 40 years, which have allowed those with even the most severe disabilities to remain mobile and independent.

The Motability Scheme

It is entirely up to the recipient whether they choose to spend their allowance by joining the Motability Scheme or in some other way.

Disabled people 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 on the Motability Scheme.

One in three of those currently eligible to do so have chosen to join the Scheme. Around two-thirds of Scheme 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.

Scheme customers can lease a new car every three years with insurance, road tax, servicing, tyres and breakdown cover all included.

A wide range of adaptations and WAVs are also available. A similar scheme exists for disabled people wishing to lease a scooter or powered wheelchair instead.

For disabled people, the Scheme offers a leasing package that is over 40% cheaper than comparable market offerings (source: CAP Derwent, March 2017). Excluding the benefit of VAT and IPT concessions, the Scheme is still some 25% cheaper than comparable

offers in the wider market, reflecting its buying power and efficiency.

Some Scheme customers are unable to afford the type of vehicle or any adaptations that they need. Motability, as a charity, may be able to help. This year Motability awarded a total of £24,093,000 (£21,084,000 in 2015/16) in grants, helping 8,502 (7,807 in 2015/16) disabled people.

In addition to value for money, the quality of service provided by the Scheme must meet the unique needs of disabled people. Motability Operations was again recognised in September 2016 as 'the highest performing organisation in the UK' by the independent Institute of Customer Service.

Key benefits of the Motability Scheme



Affordable Vehicles

- 400+ vehicles available at nil 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 are included in the lease.
- Breakdown and recovery service included.
- Replacement tyres included.
- Windscreen repairs or replacement included.



Unique Customer Service

- UK-based customer service centre taking over 1million 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 or taxi journeys, if their vehicle is off the road.

Board of Governors

Lord Sterling GCVO CBE

Chairman of Motability

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

Lord Sterling is active in other parts of the charity sector and has been a key advisor to numerous governments between 1982 and 1990, when he was Special Advisor to successive Secretaries of State for Industry.

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 Life President of P&O Cruises.

In 2005 Lord Sterling became Chairman of the Board of Trustees of the National Maritime Museum, stepping down in 2013. He 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. He was appointed Knight Grand Cross of the Royal Victorian Order (GCVO) in August 2002 in a supplement to that year's Birthday Honour's List, in recognition of his services in connection with the Queen's Golden Jubilee.

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 CBE LVO is Vice-Chairman of Motability and Chairman of its Scheme Oversight Committee, Remuneration Committee and is a member of the Nominations Committee. He is also a Trustee of The Motability Tenth Anniversary Trust.

Sir Gerald is Deputy Chairman of the Imperial College NHS Healthcare Trust, where he is responsible for audit, risk and governance. He is also Chairman of the Brooklands Museum 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 was a Non-Executive Director of Camelot UK Lotteries Ltd until 2015 where he also chaired the Advisory Panel on Social Responsibility.

Sir Gerald was awarded the CBE in the 1999 Birthday Honours for his work in this area and a Knighthood in 2012 for his services to charities. He has recently been recognised with the Award for Outstanding Achievement from the Institute of Chartered Accountants in England and Wales.

Richard Bennison FCA

Honorary Treasurer

Richard Bennison FCA chairs the Audit, Risk and Governance Committee and is a member of the Scheme Oversight Committee, the Nominations Committee and the Remuneration Committee.

Richard is a Non-Executive Director of Tokio Marine Kiln Group Limited, Tokio Millenium Re AG and is Chairman of Tokio Marine Kiln Syndicates Limited and Tokio Marine Kiln Insurance Company Limited. He is also Chairman of Taylor Clark Limited and a Non-Executive Director of Prudential Assurance Company Limited, where he chairs the Board Audit Committee.

After 35 years Richard retired in 2013 from KPMG, where he 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 and a member of the Board for six years.

Richard is also a Trustee of The Underwood Trust.

Professor Adrian V Stokes OBE

Professor Adrian V Stokes OBE is a founder Governor of Motability. He chairs the Funding and Grant-Making Committee and is a member of the Nominations 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 now 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 Chairman of Disabled Motoring UK (DMUK), having also held the posts of Vice-Chairman and Treasurer, and has been a Trustee of DDMC/Mobilise/DMUK continuously since 1967.

Board of Governors continued...

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 member of the Scheme Oversight Committee. During the last 50 years he has been involved with a large number of disability organisations.

In the early 1970s he worked for the Liverpool Association for the Disabled. In 1978 he joined the Royal Association for Disability and Rehabilitation, where he became Director in 1990. Sir Bert remained there until the end of 1999 when he became Chairman of the Disability Rights Commission (DRC). He was a founding Commissioner of the Equality and Human Rights Commission, which superseded the DRC in 2007. He was appointed a Deputy Lieutenant for Merseyside in April 2014.

Joanna Lewis

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

Joanna 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 co-founded Littlefox Communications and 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 long term health conditions.

Joanna has an MA in History from St Johns College, Cambridge and is a Fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce. She is a Board

Member of the Web Science Trust and Vice Commodore of Meneham Rythe Sailing Club, Hayling Island.

Paul Spencer CBE

Paul Spencer CBE 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 an Independent Trustee and Chairman of the BT and Rolls Royce pension funds. Paul is also Chairman of Prudential UK. He was awarded a CBE in 2010.

Alan Dickinson

Alan Dickinson is a member of the Audit, Risk and Governance Committee. He was educated at the Royal Grammar School, High Wycombe before studying Mathematical Statistics at the University of Birmingham. Alan 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 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.

Alan is also Chairman of Urban & Civic plc and Honorary Treasurer of Surrey County Cricket Club.

Ed Humpherson

Ed Humpherson is a member of the Scheme Oversight Committee and the Nominations Committee.

Ed works at the UK Statistics Authority, where he is Director General for Regulation at the Office for Statistics Regulation.

Prior to joining the Authority, Ed was a Board Member and Executive Leader for Economic Affairs at the National Audit Office (NAO), a post he held since July 2009. This role included responsibility for the overall strategic direction of NAO's work on economic affairs.

Amongst other previous responsibilities, Ed oversaw the NAO's response to the recent financial crisis through building capability in capital markets and financial services work. He also coordinated the NAO's programme of work on the administration of the tax system and the welfare system; led the NAO's work on public private partnerships and major infrastructure developments, including in transport and energy; and oversaw the development of the NAO's audit of the Whole of Government Accounts.

Between 2007 and 2009, he was Assistant Auditor General, and before that was NAO's Director of Regulation between 2003 and 2007. Ed joined the National Audit Office in 1993.

He was educated at the University of Edinburgh where he obtained a first-class MA honours degree in Politics and Economic History.

Ed is a Chartered Accountant and a member of the Institute of Chartered Accountants in England and Wales.

Governors' Report

The Governors present the audited Accounts for the year ended 31 March 2017 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) 2015.

Motability is a registered charity in England and Wales No. 299745.

The Chief Patron, Patrons, Life Vice-President, Members, the present Governors and any past Governors who served during the year are shown on the inside front cover of this report. Details of the registered office, key executive staff and professional advisors are shown on page 69.

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. Any individual can apply to the Board for election as a Member (subject to not being a paid employee of Motability). 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 Annual General Meeting (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 comprises 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 both Motability and Motability Operations. The Committee is chaired by Motability's 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 KPIs. 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 comprises three Governors, 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 comprises two Governors and is chaired by a Governor with disability expertise, Professor Adrian V Stokes. The Committee reviews Motability's funding strategies, grants policies and oversees the administration of grants operations to ensure that it delivers value for money and a high level of customer service. The Committee also reviews funding issues and risks in view of the current economic climate.

Remuneration Committee

The Remuneration Committee comprises three Governors and is chaired by the Vice-Chairman, Sir Gerald Acher. The primary purpose is to review the remuneration of the Director and key executive staff (the Director of Finance and the Director of Affinity and Projects), as well as the staff pay and benefits strategy.

Governors' Report continued...

Nominations Committee

During the year, the Board of Governors have formed a Nominations Committee and terms of reference for this Committee have been approved. The Committee will make recommendations to the Board of Governors in relation to the appointment of Governors, Committee members and Directors. The Chairman of the Committee is the Chairman of Motability, Lord Sterling of Plaistow GCVO CBE.

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 income 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 financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity's governing document, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice, applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland, published on 16 July 2014 and its subsequent updates.

The Governors are responsible for the maintenance and integrity of the Charity and financial information included on the Charity's website, motability.org.uk. 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, details of cash flow and bank balances.
- Delegation of day-to-day management authority and segregation of duties.
- Identification and management of risks.
- An investment policy and regular reviews of investment risks and returns.

New Trustees will undergo induction through briefings on the role of Motability and their duties as a Board Member. They will be provided with a Trustee Information Folder that contains the Memorandum and Articles of Association, current Business Plan, recent financial reports and the Charity Commission Trustee 'Welcome' document. Throughout the year Board Members receive updates on information relevant to their role and are supported with their training needs as appropriate.

Engagement

Our staff survey results remain consistent and continue to outperform our benchmark, Charity Pulse, in most areas. In our most recent annual staff survey, Motability staff say that they understand the role they play in enabling the organisation to help disabled people and support the values that guide what we do.

Corporate Social Responsibility

Motability embraces corporate social responsibility in a number of ways:

- Through the Scheme's core objectives, we help customers to gain freedom and independence through affordable, worry-free motoring.
- We work towards achieving a diverse workforce by supporting applications from disabled candidates and by recruiting, employing and promoting employees on the basis of objective criteria and the qualifications and abilities needed for the role.
- We are committed to creating a work environment in which our employees can be fully engaged and supported in their work.
- To assist employees in balancing home and work commitments we consider all flexible working requests.
- Opportunities to develop skills and knowledge are encouraged through our online and formal training solutions.
- We provide and maintain a clean, healthy and safe working environment.
- We recognise the importance of understanding the impact of our activities on the environment and we communicate with staff regularly to provide awareness of our carbon footprint.
- We have made significant reductions in our electricity and gas consumption over recent years, and improved our recycling systems.

We believe our results can be attributed to:

- Frequent and open communication throughout the organisation, including; regular staff briefings, team meetings, employee forums, one-to-one discussions, regular newsletters and the use of our company intranet, Pulse.
- Support for development and training through a number of mechanisms including; induction and on-boarding for new starters, formal training, coaching, 360 degree feedback, involvement in specific projects and initiatives, or secondments to other areas within the business.

In November 2016 we were accredited as an Investor in People with Gold Status.

Staff turnover in 2016/17 remains low at 6%. The average number of day's absence per employee was 8.7 days in

2016/17 (4.7 days in 2015/16), which includes both long-term and short-term absence.

Reward

Our remuneration is regularly reviewed against comparable benchmarks, to ensure that it is fair and relevant to the environment in which we operate. Remuneration decisions are taken in line with our Remuneration Policy.

Motability is committed to promoting Equal Pay, and also ensures that all salaries exceed the requirements of the National Living Wage.

We actively encourage our staff to engage with us on benefits, such as our pension scheme, salary sacrifice scheme, pension workshops and online retirement planning tools. During the year, we introduced a new Default Investment Option for the Motability Stakeholder Pension Plan which reflects the new Pension Freedoms introduced in April 2015.

Governors' Report continued...

Our Pension Management Committee meets twice a year to ensure our pension arrangements continue to meet the needs and interests of its members.

Equality and Diversity

Motability continues to pursue a policy of equality and diversity and in particular, our policy is to ensure that disabled people receive equal and fair consideration in recruitment, training and career development. Support and adjustments are provided to ensure that the needs of employees who are, or become disabled, are met.

We are members of the Business Disability Forum. We are accredited by the DWP as a 'Disability Confident' employer (this accreditation replaces the 'two ticks' symbol).

The percentage of our workforce with a disability or long-term health condition is 34%. We continue to work with partners to promote our work experience programme for candidates with disabilities, with two successful placements in 2016. This year we have held a number of workshops for staff, including disability confidence and mental health awareness.

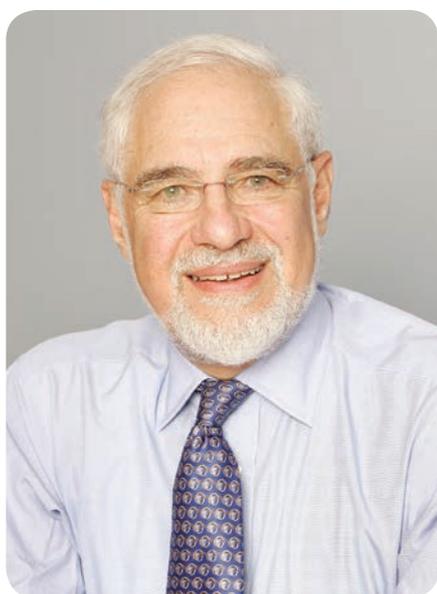


“This year we have held a number of workshops for staff, including disability confidence and mental health awareness.”



Report of the Scheme Oversight Committee

Oversight of the Motability Scheme is carried out by a dedicated team at Motability, reporting to the Scheme Oversight Committee which meets quarterly.



Sir Gerald Acher CBE LVO
Chairman of the
Scheme Oversight Committee

The role of Scheme Oversight is to ensure that both the Car and the Powered Wheelchair and Scooter Schemes perform in line with our expectations and support customers effectively. To do this, we agree policies and procedures with Motability

Operations and also have a range of KPIs to confirm their effective management.

We review the KPIs and the Scheme objectives with Motability Operations annually to ensure that they remain relevant and focused on the most important elements of customers' experiences. Objectives are set at appropriate levels to ensure excellent customer service over the long-term.

Customer and Disability Expertise

Customer satisfaction is critically important and independent biannual customer surveys confirm that satisfaction is very high. The surveys are based on 600 telephone interviews and are conducted by external market research organisations in April and October each year. Overall satisfaction with the Car Scheme is 98%, and for the Powered Wheelchair and Scooter Scheme is 95%. The results of all customer surveys are used to guide policy decisions and further develop customer service.

The three headline measures of customer satisfaction from the most recent independent survey in October 2016 remained significantly above our Scheme objectives (see table below).

In 2016 the Institute of Customer Service (ICS) once again rated Motability Operations as the highest performing organisation in the UK across all sectors, with a satisfaction level of 94.7%. The ICS is an independent, not-for-profit professional organisation which works with its members to raise the standards of customer service in the UK.

Value and Choice

A wide range of affordable products is offered on the Scheme, including over 150 different car models available in over 2,300 different derivatives or variants. As well as ensuring a large choice, we also support customers in looking for greener options and provide guidance on CO2 emissions and fuel efficiency. Vehicle choice includes a range of new technologies, including fully electric vehicles with zero emissions at the tailpipe.

Customer Satisfaction Performance Indicators – Car Scheme

	2015/16	2016/17	Scheme Objective
Overall satisfaction with the Scheme	98%	98%	92%
Customers who would recommend the Scheme	98%	97%	92%
Customers' intention to renew their leases	97%	97%	92%

Report of the Scheme Oversight Committee continued...

We also ensure that customers can recharge their electric vehicles safely and effectively before accepting their application. Average CO2 emissions for the fleet is monitored closely and continues to fall in line with national trends.

The selection of vehicles remained strong, including offering over 400 model derivatives at nil Advance Payment, which includes automatics (see table below). We also continued to ensure that the most affordable vehicles included a range of the most fuel efficient.

During the year, pressure on vehicle pricing increased as vehicle manufacturers had to react to the fall in value of sterling, following the referendum decision to exit the EU. In addition, there is increased uncertainty about the future value of fleet vehicles, especially diesel models.

'On the Road' price limits were introduced for eligible Scheme cars, to ensure that we remain focused on affordable and appropriate vehicles for customers' disability requirements.

A wide selection of options are also available, including a range of adaptations that can be fitted to standard vehicles post-manufacture, or WAVs that meet the requirements of people who wish to travel seated in their wheelchair. Pricing of WAVs is reviewed to ensure that they remain as affordable as possible. There are 28,347 WAVs on the fleet.

The Scheme 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.

Reach and Awareness

Motability 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 37,644 (41,000 in 2015/16) information pack requests. This will be expanded in the future to also include recipients of the ERM of PIP.

The transition from DLA to PIP gathered momentum during the year and 36,000 customers lost eligibility to the Scheme. As a result, customer numbers fell from 654,597 in March 2016 to 632,722 in March 2017. It is anticipated that there will be a further reduction in customer numbers in the year ahead.

Long-Term Sustainability

Securing best value for vehicles sold at the end of the lease is a key element of maintaining affordability. The used


98%
overall satisfaction with
the car scheme


95%
satisfaction with the powered
wheelchair and scooter scheme


We support
customers looking for
greener options

vehicle market remained strong, with high demand and a relative shortage of three year old used cars, resulting in strong disposal values. New vehicle sales increased during the year and the supply of vehicles to the used market (especially two and three year old vehicles sold on Personal Contract Purchase), has grown and the future strength of the market is uncertain.

The Scheme has developed the mfdirect online disposal channel that

Affordability Performance Indicators

	2015/16	2016/17	Scheme Objective
Number of models with nil Advance Payment – automatic	52 (49)*	38 (28)*	8 (4)*
Number of models available with nil Advance Payment – manual	86 (75)*	79 (53)*	25 (16)*

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

Continuous Mobility Performance Indicators

	2015/16	2016/17	Scheme Objective
Customers taking delivery of a 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	0.3 days	0.1 days	5 days
Roadside assistance – average response time	39 mins	38 mins	45 mins

sells cars direct to trade buyers. This application minimises the time taken to sell vehicles and secures best value, and at the same time minimises sales costs. Almost 80% of the 249,070 vehicles sold during the year went through this channel. Vehicles not sold through mfldirect are sold through a dedicated programme of Motability branded auction sales.

Continuous Mobility and Roadside Assistance

The availability of short-term lease extensions ensured that there were no gaps between vehicles for customers during their renewal process (see table above). Unexpected gaps caused by accidents or theft continued to average just one day.

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

Scheme Policy

Motability continues to monitor the Scheme offering, to ensure it remains appropriate and continues to deliver value to its customers, while remaining consistent with the Scheme's core objectives. We protect the integrity and reputation of the Scheme by ensuring that policies related to the vehicles offered and how the cars are used (and by whom), are appropriate and effective.

Countering Fraud and Abuse

The Scheme works with a range of partners, including vehicle 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 14,648 cases (13,750 in 2015/16) 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 5,984 cases (5,379 in 2015/16), resulting in 3,139 customers (2,963 in 2015/16) being removed from the Scheme or prevented from re-applying to the Scheme.

Trackers

Motability continually reviews the measures it has in place to protect the Scheme from misuse. In some instances, we fit location trackers to vehicles where it is thought there is a risk of the vehicle being used outside Scheme rules and, in particular, not providing a direct benefit to the Scheme customer. 7,380 vehicles are now fitted with a location tracker.

In every case where a location tracker is fitted, we discuss the proposed use of the tracker with the customer and this provides an additional opportunity to discuss how the vehicle will be used. In some cases this has led to a

clear understanding that the proposed use of the vehicle is outside of Scheme rules, and has resulted in the vehicle application being withdrawn by the Scheme or, frequently, independently by the customer. There were 2,791 such cases during the year.

The information from the location tracker is reviewed to monitor how the vehicle is being used and to confirm that the disabled customer continues to receive the anticipated benefit. If inappropriate vehicle use is suspected, the customer is contacted to discuss how the vehicle is being used. This may include nominated drivers using the Scheme vehicle for their personal journeys only. The customer will be given the opportunity to correct use of the vehicle to ensure it is in line with Motability Scheme rules. A warning will be issued for any unacceptable use. Any continued use outside of the Scheme rules may result in the lease agreement being terminated. In the last year, warnings were issued in 1,171 cases, with 233 customer agreements being terminated as a result of the location tracker data.

Specialised Mobility

During the year, the Powered Wheelchair and Scooter and WAV propositions were improved further, with initiatives designed to improve affordability of lease renewal.

Report of the Scheme Oversight Committee continued...

Insurance

The provision of fully comprehensive insurance as part of the ‘worry-free’ package irrespective of vehicle, location, credit standing or disability is a key part of the Scheme. Since October 2013, insurance arrangements include part of the insurance risk being adopted by Motability Operations and controlled by a number of re-insurance measures. It is considered that this insurance model is more appropriate for such a large vehicle fleet. During the year, a post-implementation review was carried out to ensure that the original objectives had been delivered. It concluded that the structure was more stable and sustainable than buying cover from one supplier. The revised structure continues to be successful in delivering the anticipated cost savings.

Refinancing

Motability Operations is financed by a combination of bank borrowing and corporate bonds. Accordingly, maintaining a strong credit rating is a key objective. During the year, new bonds were issued, ensuring a phased maturity profile over the long term and locking in to historically low interest rates.

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. A summary of Scheme risks is shown on page 25. The Scheme Oversight Committee monitors these operational and financial risks on an ongoing basis. This ensures that risks are identified and managed appropriately for the provision of a continuous, responsive and affordable service to customers.

Powered Wheelchair and Scooter Scheme

Motability Operations has been operating this Scheme since 2010 and the customer proposition continues to be developed and performance continues to improve:

- An independent survey of customer satisfaction shows that overall satisfaction is 95% (see table below).
- 94% of Scheme customers would recommend the Scheme to others.
- Customer intention to renew is 96%.
- The number of customers fell marginally during the year from 14,822 in March 2016, to 14,813 by March 2017.
- The Scheme continued to provide customers with a wide and representative choice of scooters and powered wheelchairs to meet a wide range of mobility requirements, with stable pricing and excellent service.

Aims for 2017/18

- Maintain the Schemes’ excellent customer satisfaction performance.
- Maintain a close working relationship with the DWP during 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.

Sir Gerald Acher CBE LVO
Chairman of the
Scheme Oversight Committee

Powered Wheelchair and Scooter Scheme

	2015/16	2016/17	Scheme Objective
Overall satisfaction with the Scheme	94%	95%	92%
Number of small scooters available for less than 35% of the mobility allowance	37	42	30
Number of medium scooters available for less than 45% of the mobility allowance	31	30	15
Number of large scooters available for less than 50% of the mobility allowance	40	35	5

Supporting Scheme Customers Affected by PIP

The Government is in the process of replacing DLA with PIP for disabled people aged between 16 and 64. This process began in April 2013 and the DWP expects it to be completed by the end of 2019. During the assessment process and transition from DLA to PIP, some people will lose their eligibility for the Motability Scheme.

In September 2013, Governors announced a one-off transitional support package, designed to assist 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 is, subject to terms and conditions, providing a transitional support package:

- The Scheme offers customers an opportunity to buy their vehicle.
- The Scheme has established an arrangement with a leading insurance broker who provides quotes to former Scheme customers, which takes account of their claims history with the Scheme. This can allow them to accrue no-claims discounts of up to 60% which would otherwise not be available to them.
- For customers who lease a WAV, Motability works with them on a case-by-case basis to assist them with their future mobility arrangements, including (where appropriate), help to purchase their current Scheme vehicle.
- For customers whose vehicles have been fitted with adaptations, Motability assists with the cost of fitting the same or similar adaptations to a non-Scheme vehicle.
- The Motability Scheme also provides a package of support and advice to customers currently leasing

powered wheelchairs or scooters, with the objective of helping them to purchase their current product wherever possible.

Since September 2013, the Scheme has allowed customers to retain their vehicle for up to three weeks after their DLA payments end. In April 2017, the Minister for Disabled People, Work and Health announced a series of enhancements to Motability's transitional support package, which now allows Scheme customers to retain their car for up to eight weeks after their DLA payments end. In some cases, this can be extended to 26 weeks, although the customer will then receive a lower transitional support payment than they otherwise would have received. This additional time and flexibility will be valuable to Scheme customers going through this difficult transition, in particular those who are challenging the DWP award decision through reconsideration and appeal.

Further details are available on our website motability.org.uk/PIP

In July 2014, a donation of £15million was received from Motability Operations, with further donations of £135million in September 2014 and £25million in September 2015. These donations, totalling £175million, are restricted and will be used only for transitional support payments to departing customers. In order to ensure the most effective use of the

available funds, Governors reviewed all aspects of the support package in December 2016, taking account of customer feedback, economic circumstances and our experience to date of PIP implementation. We will consider the continuation of the transitional support programme annually to ensure it continues to meet the needs of customers, where relevant.

The deployment of DLA to PIP reassessments is currently running behind schedule. Approximately 30% of those eligible customers have gone through a reassessment. The number of transitional support payments was 26,544 (9,553 in 2015/16); these payments amounted to £49.0million (£17.7million in 2015/16). There remains uncertainty about the future timing of reassessments.



Supporting Scheme Customers Affected by PIP continued...

Our research on the impact of the transitional support package confirms how useful it has been to Scheme customers affected by the move from DLA to PIP. In October 2016, we commissioned an external research company to conduct 400 telephone interviews on customers' experience of leaving the Scheme. 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.

In addition to this transitional support package, Motability also provides additional transitional

support to customers who are experiencing exceptional hardship due to leaving the Scheme. This can include transferring or replacing expensive adaptations, enabling customers to remain in the car they have been leasing through the Scheme and helping with the cost of purchasing a suitable vehicle after leaving the Motability Scheme.

During 2016/17 we also provided 596 (172 in 2015/16) former Scheme customers with almost £1.6million (£0.6million in 2015/16) of additional transitional support, funded by a grant from The Motability Tenth Anniversary Trust. We remain in close contact with the DWP to ensure that we can respond effectively during the next stage of reassessments.

Aims for 2017/18

- 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 transitional support package is structured to support their ongoing mobility as effectively as possible.



“Motability will provide transitional support for Motability customers who can no longer use the Scheme as a result of their DLA to PIP reassessment.”

Report of the Audit, Risk and Governance 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.

Significant Matters

The Audit, Risk and Governance Committee reviewed a number of significant matters which have a bearing on the integrity of the financial statements:

- A review has been undertaken of the appropriate basis for accounting for transitional support for customers who can no longer use the Scheme following their PIP reassessment in 2014/15, 2015/16 and 2016/17. Motability's commitment is to fund all allowable claims that have been agreed or initiated until the annual review of the package is completed by Governors (due by the end of December 2017).

The basis of the provision is described in more detail on page 59 and includes its assumptions for enhancements to the transitional support package described on page 19 and announced in April 2017.

- 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 2017 has been completed and the Committee is satisfied that they represent reasonable estimates.

- In assessing our ongoing financial viability, the Committee considered the future potential impact of: changes to pension assumptions, costs of the PIP transitional payments, reductions in fundraising income following the decision to cease certain fundraising activities as described on page 26 and other financial risks and opportunities, covering the period of 12 months from the signature of the Accounts.

Internal Controls

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

- Payroll systems review.
- Payroll- PAYE review.
- Procurement.
- IT Windows Active Directory.
- PIP transitional support.
- Location trackers.
- Use of data.

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

Internal Audit

A three year internal audit plan was developed and subsequently approved by the Committee.

The plan is based upon a detailed assessment of the potential risks associated with each of the charity's activities.

Risks were assessed in the following areas:

- Financial.
- Legal.
- Operation and technical.
- Reputational.
- Potential exposure to fraud.

The Committee's review includes:

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

Report of the Audit, Risk and Governance Committee continued...

The summary of Motability's key risks and mitigations is shown on page 23. As a consequence of this process, 16 audit areas have been identified and have been divided between those requiring high, medium and low levels of scrutiny. Activities classified as high risk are audited annually, whilst those classified as medium risk are audited biennially and the remainder triennially.

External Audit

Deloitte has been external auditor to Motability for 15 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, based upon Deloitte's assessment of potential audit risks from the charitable activities undertaken during the year.

At the meeting in June 2017 the Committee reviewed and discussed its findings with Deloitte, following the audit.

The key matters of judgement highlighted by Deloitte are included under the Significant Matters heading on page 21.

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.
- A review of the results of an externally commissioned IT penetration test to assess the resilience of our IT systems and cyber security.

The policy to facilitate 'whistleblowing' is reviewed annually and provides a route for Motability staff to escalate any issues, as appropriate, to the Chair of the Audit, Risk and Governance Committee and to the Financial Conduct Authority (if necessary).

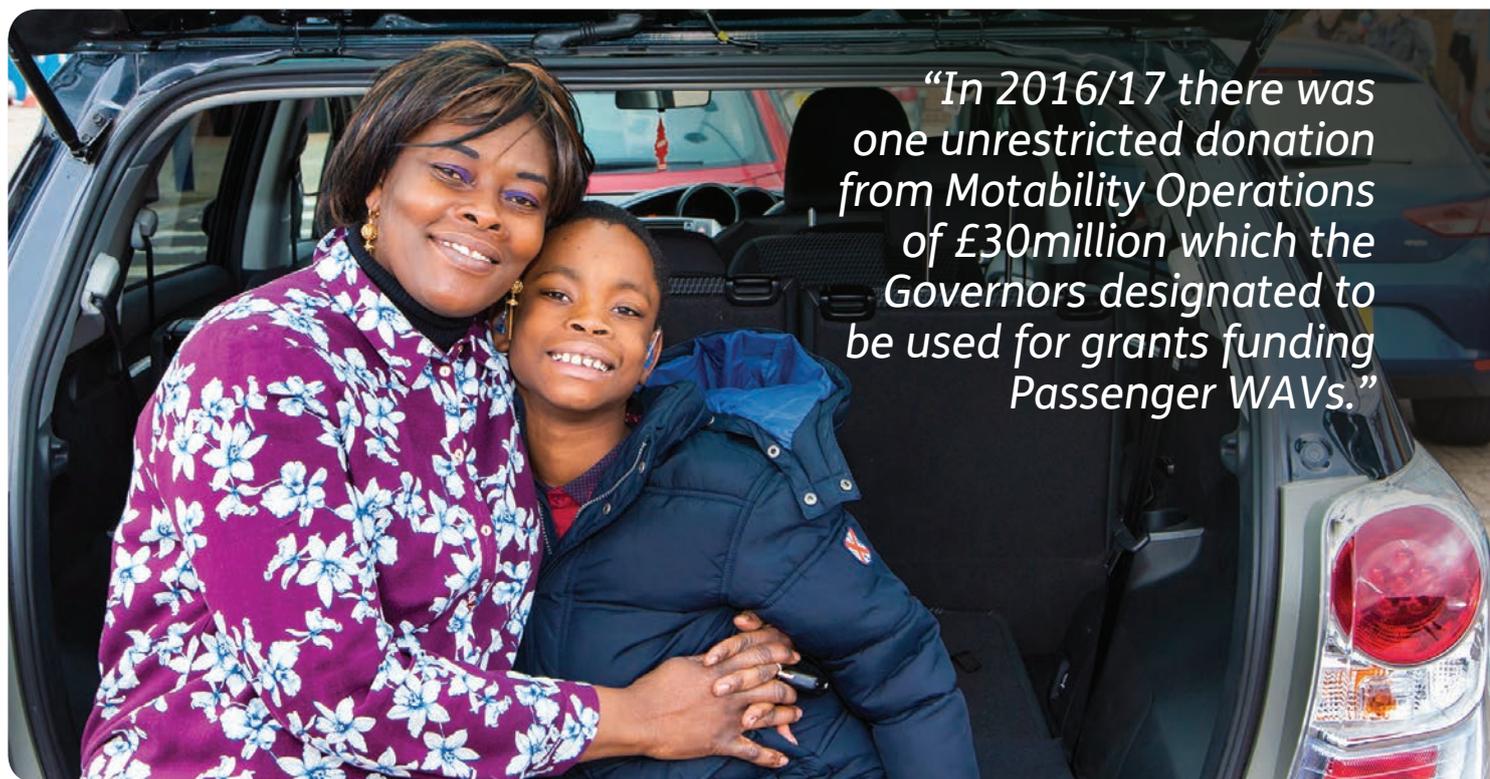
Treasury Management

In 2016/17 there was one unrestricted donation from Motability Operations of £30million which the Governors designated to be used for grants funding passenger WAVs. The Committee also reviewed our PIP Treasury Policy, to ensure best practice in cash management alongside the continued appointment of Barclays Wealth to manage the investment portfolio for this fund.

Motability Risks and Mitigation

The Committee examined 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.



"In 2016/17 there was one unrestricted donation from Motability Operations of £30million which the Governors designated to be used for grants funding Passenger WAVs."

- 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. The Scheme Oversight Committee review the performance

and key risks faced by the Motability Scheme which are shown on page 25. A summary of key risks is reviewed by the Board on an annual basis.

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

Risk Review and Assurance

A comprehensive Risk Register is maintained and reviewed quarterly by senior management through the Motability Internal Governance and

Risk Assurance Committee (MIGRAC). This committee provides assurance to the Executive Team and to the Audit, Risk and Governance Committee that appropriate arrangements are in place to ensure the effective management of the risks to Motability's internal operations and to recommend any changes to policies or processes which may be required. Each risk is assessed in terms of gross risk value and a net risk value, based upon the mitigation control in place. Each risk has an owner assigned to ensure clear accountability and ownership.

Summary of Motability's Key Risks and Mitigations

Risks	Potential Impact	Mitigation
An event that impacts negatively on the Scheme	Loss of potential customers and reputation damage	Effective communication and PR strategy, and interaction with disability organisations and with other stakeholders
Effectiveness of our oversight of the Scheme	Loss or reduction in funding	Effective Scheme Oversight Committee and detailed monitoring of KPIs
Welfare reform, including the replacement of DLA with PIP, may result in customers losing access to the Scheme	Disabled people lose mobility	Our transitional support package and enhancements to it will help customers remain mobile where possible
Financial Risks		
The number of customers qualifying for PIP may exceed forecast	Liability exceeds available reserves	Governors conduct an annual review on the continuation of the PIP programme and can also review available funding. In addition, there is continual dialogue with Motability Operations to provide support in advance of projected need
DWP has stopped funding the SVF and Motability has taken over responsibility for this	Liability exceeds available reserves	SVF for passenger WAVs is funded by donations from Motability Operations and SVF for Driver WAVs is funded by The Motability Tenth Anniversary Trust
Operational Risk		
Risks of failure of key systems controls or processes, for example, grants system or cyber security	Financial and reputational risk Risk of business disruption and continuity	Robust control environment constantly reviewed through Internal Audit programme Active monitoring of Business Continuity and Disaster Recovery plans Information Security framework aligned to best practice and industry standards

Report of the Audit, Risk and Governance Committee continued...



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. The target operational recovery time of all key IT services is two days.

Data and Cyber Security

Motability has adequate controls that meet privacy industry standards in relation to data and security. These include restrictions on access to customer information as well as our own information and strict password usage.

Motability's Data Protection Manager is trained and a certified Data Protection Practitioner.

Motability takes cyber security very seriously and ethical hacking (penetration testing) has been completed. IT systems are regularly reviewed to include the latest updates.

Motability Scheme Risks and Mitigations

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 and Director of Finance of Motability, attend 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 it faces in order to ensure that the business remains sustainable through the economic cycle.

Richard Bennison FCA
Chairman of the Audit, Risk and Governance Committee

Summary of the Motability Scheme Key Risks and Mitigations

Risks	Potential Impact	Mitigation	Link to strategy
Residual values Unexpected movements in used-car values, failure to achieve market value on disposal	Volatility in profitability, reserves and pricing. Potential impact on affordability and choice	Sophisticated in-house residual value setting and forecasting process Risk Capital management for asset risk using Economic Capital principles Market-leading remarketing approach	The setting of residual values is one of our core competencies. Our strategic approach ensures that we invest appropriately to maintain a market-leading capability (in terms of people, methodology and technology)
Supplier failure Failure of key manufacturer or other key Scheme supplier	Compromised customer service provision and potential financial impact of securing alternative supplier In case of manufacturer failure, likely impairment of residual values and threatened availability of parts and warranties	Active monitoring of credit ratings and market announcements Strong supplier relationships and communication Diversification of supply Diversified portfolio	Through our annual strategic review we assess the performance and stability of all main Scheme suppliers, including contingency planning in the event that a major failure occurs
Credit Risk of default of key income streams and exposure to bad debt	Cash inflows and consequent write-off to income statement	Principal income stream directly from DWP – therefore minimal credit risk Residual credit risks are managed through credit assessments and effective credit control function	The assignment of customers' allowances directly to Motability Operations is a fundamental strategic underpinning of the effective and efficient operation of the Scheme
Treasury Exposure to interest or exchange rate movements, liquidity, funding, counterparty and operational risk	Volatility in funding costs, with knock-on effects on lease pricing and lack of availability of growth or replacement funding	Majority of funding on fixed rates or fixed through interest rate and/or foreign currency swaps Balanced portfolio of funding maturities and diversification into bond market Maintenance of strong credit rating Robust treasury system, controls and governance	The strategic pillar of ensuring long-term sustainability guides our approach to determining treasury policy, which is designed to be 'vanilla' and risk-averse
Operational Risk of failure of key systems controls or processes	Financial and reputational risk Risk of business disruption	Robust control environment Active monitoring of Business Continuity and Disaster Recovery plans Information Security framework aligned to best practice and industry standards	We ensure that we make appropriate strategic investments in our infrastructure, systems and processes
Insurance Exposure to insurance claims that exceed expectations or supplier failure	Financial impact of claims exceeding priced expectations Failure of a reinsurer could transfer risk back to Motability Operations	Conservatively placed re-insurance programme effectively limits the Group's net risk Risk Capital in place to cover net risk Access to extensive expertise Diversification of supply across highly-rated reinsurers	Our revised insurance arrangement has been carefully designed to ensure that the structure delivers value for customers and is sustainable into the long term

Report of the Funding and Grant-Making Committee

Motability, as a charity, provides grants to the small number of Scheme customers who are unable to afford the car, adaptations or driving lessons they need. Eligibility for grant assistance is criteria-based and relies upon a means-test of the applicants' financial circumstances. This support has been funded through a combination of corporate and individual donations and the ongoing support of Motability Operations and The Motability Tenth Anniversary Trust.

Technical advancements and developments in the motor industry, such as powered steering and wide-opening doors, mean that these essential features for disabled drivers are available on standard production vehicles. In addition, many adaptations can now be added at the start of a lease at no additional cost or at a lower cost than in the past.

Taking into consideration these advancements and developments, we conducted a full review of our fundraising from voluntary sources and we concluded that we would no longer seek voluntary donations from individuals, many of whom have long supported us. In June 2016, we decided to stop actively raising funds from all voluntary sources.

We engaged positively with our supporters: we included an article in Lifestyle Magazine explaining our conclusion to customers and advising them that we would no longer be running our raffles; we wrote to all our individual and corporate supporters, advising them of our current ability to meet our needs for charitable grants. Supporters responded positively to our communications and some chose to continue their support of Motability. We are hugely appreciative and grateful for the generous support received during the years from our supporters which has enabled us to help those Scheme customers most in need.

Supporters

During 2016/17 individual supporters gave £1.65million to help fund our charitable grants programme, this included income from our summer raffle, regular donations and Gift Aid. We received £524,000 from the providers of Home, Pet and Travel insurance products, developed specifically to include features most relevant to disabled people. We also received £66,000 from Haven and Enable Holidays who offer their accessible holidays to Scheme customers. Motability is also grateful to those individuals who left a gift to us in their wills; this year we received £52,000 from legacies and in memoriam.

Charitable Trusts and Foundations

We are very grateful for the support we have received from charitable trusts and foundations, who have donated a total of £148,000. A full list of all these trusts and foundations is detailed on page 68.

Corporate Supporters and Events

This year we received £157,000 from our corporate supporters and event programme. We are grateful to RSA, whose employees raised £44,000 to help Scheme customers and their families in Liverpool, and to Enterprise Rent a Car for their donation of £12,000.



Drive-from-Wheelchair/ Internal Transfer Vehicles (DfW/IT)

These vehicles are currently funded by The Motability Tenth Anniversary Trust and will be for the next two calendar years, 2017 and 2018. For funding from 2019 onwards, the DWP will decide on their strategy by the end of March 2018.

WAVs and Complex Adaptations

These will be indefinitely funded from the Motability Scheme, recognising that passenger WAVs have become a much more affordable and mainstream element of the Motability Scheme.

We forecast that we will spend up to £13.6million this coming financial year and will support as many people as we can by continuing to improve value for money and the arrangement of lease extensions. Since January 2016, we have maintained grant spending at the levels previously funded by the DWP and there has been no change in how grants are processed or the criteria applied in respect of those for specialised vehicles.

Complex adaptations cover higher cost solutions, such as mechanical and electronic swivel seats, person hoists, rooftop wheelchair storage devices and electronic driving aids.

Report on Grants Operations

This year we helped 8,502 disabled people and their families with grants towards Advance Payments for cars, WAVs, driving lessons and adaptations. In addition we helped 760 customers to extend the lease of their current car which continued to meet their needs without the requirement for a new grant.

We also provided expertise, advice and support to thousands more disabled people who contacted us for financial assistance.

Achievements during 2016/17

- **Customer satisfaction**
The service provided by Grants Operations remained high, with overall satisfaction at 96%, consistent with 2015/16 and above our objective of 92%.
- **Grant enquiries**
This year we experienced our highest recorded demand, with 17,350 enquiries for support (15,368 in 2015/16). For many, our advice and support helped Scheme customers to find a suitable vehicle and adaptations without the need for a grant. For those who did need financial support, 8,502 charitable grants were made (7,807 in 2015/16), an increase of 9% and the highest number on record.
- **Online applications for Grants**
We continued to offer online grants applications (launched in November 2015), allowing customers to complete applications and find supporting information online. By the end of the financial year, nearly 56% of all applications were being made online (nearly 40% in 2015/16). On average, customers completed the online applications in just six days, compared to 30 days if customers completed the traditional paper application forms.
- **Systems upgrade**
We continued to improve the grants IT infrastructure and this year focused on replacing and upgrading our core database. Following a competitive tender, work started in February 2017 and we aim to implement the new database later in the year to provide both technical and operational benefits.
- **Training the trainers**
2016/17 is the final year of a three-year programme to train selected driving instructors from our contractual partner, AA/BSM. The training days are conducted by our highly experienced Driving Advisors (who are themselves qualified driving instructors) and has, to date, provided training to 51 approved driving instructors. The training includes experience and advice for teaching disabled learner drivers who use sophisticated driving controls, typically in DfW vehicles. This training has been provided to improve the safety and overall experience for these learner drivers who are supported by substantial charitable grants in order to be able to drive independently.

Operational Performance

Demand for grants towards Advance Payments for standard production Scheme cars totalled 3,803, an increase of 13% (3,362 in 2015/16). The increase was due, in part, to the Scheme's customer

renewal cycle and the subsequent availability of larger MPVs which met grants customers' requirements. Grants awarded to Scheme customers in receipt of WPMS allowance increased by 6% to 511 (480 in 2015/16).

Report of the Funding and Grant-Making Committee continued...



This year we helped
8,502
families with a grant

The provision of support to those affected by the Government's transition programme from DLA to PIP was also a key feature of the year. Help provided under the Additional Transitional Support Scheme (ATS) rose to 584 customers (172 in 2015/16), with the value of those grants totalling £1.8million. Grants given under ATS are discretionary and are separate from the Scheme's broader transitional support arrangements.

The number of grants provided towards WAVs increased by 1% to 2,950 (2,923 in 2015/16). Supply was impacted by EU legislation to lower levels of harmful car and van exhaust emissions (known as Euro 6) in the second half of the year.

Telephony

We received 70,025 calls in the year, a 14% increase on 2015/16 and higher than anticipated (the forecasted call load for the year was 65,000). This figure reflects the high level of enquiries and applications we have seen. Grants Operations made a further 57,010 outbound calls (46,715 in 2015/16); many of these being 'welcome' calls to customers to establish engagement, rapport and provide guidance throughout their application. Customers remained informed about the progress of their applications as a result of our proactive approach to communications. Our customer satisfaction scores underpinned the success of this approach throughout the year, with consistently high scores for 'overall telephone experience' of 96%. Call abandonments by customers fell to just 0.14% (0.65% in 2015/16),

meaning that just one in every 1,000 callers failed to speak to someone within one minute. The average time between connection and a human voice was below 10 seconds and our overall service level was 89% (against a target of 80% of calls to be answered within 20 seconds).

Lease Extensions

We continued to offer lease extensions to customers, ensuring they could continue to use their vehicles on the Scheme (providing they remained suitable and reliable). This approach helped to conserve funding so we can help those most in need of a new or replacement car. During the year we arranged 760 lease extensions (1,011 in 2015/16), saving £8.3million of funds (£7million in 2015/16).

Specialised Vehicles for Passengers

Despite slower growth of 1% this year (4% in 2015/16), volumes remained strong as the Scheme's overall WAV fleet continued to increase. As a result of generally higher Advance Payments, grants-funded WAVs made up 42% of the total WAV offering on the Scheme, a far higher proportion compared to standard production vehicles.

Grants and Lease Extension Volumes – Year on Year

Grants for:	2015/16	2016/17	% Diff
Cars	3,362	3,803	13%
WAV	2,923	2,950	1%
DfW/IT Vehicles	302	303	-
Driving Lessons	1,048	862	-18%
PIP	172	584	240%
Total Grants	7,807	8,502	9%
Lease Extensions	1,011	760	-25%

Intelligent use of available model supply and pricing, along with working closely with the vehicle conversion industry, ensured that the average net grant value remained stable at £3,900 (£3,800 in 2015/16), enabling us to meet demand and deliver strong customer satisfaction.

Compared with our initial forecast of 3,203 grants, we committed £12million, helping 2,950 wheelchair and scooter users with WAVs in the year (up 1% on 2015/16), plus a further 600 customers who needed help with complex adaptations, such as an electronic driving control, person hoist or swivel seat.

We arranged 275 lease extensions for WAV customers (470 in 2015/16), saving £1.1million (£1.8million in 2015/16) which contributed to our ability to meet the high level of demand.

Euro 6 emissions standards and model changes brought challenges to the availability of some WAV models in the year, however new vehicle ranges were also introduced which have proven popular with customers and offset the supply challenges. Customers affected by supply issues were kept informed throughout the process and offered potential alternative solutions wherever possible.

It took, on average, two weeks to receive a funding decision for an application, unchanged against the average time from the previous year.

Specialised DfW/IT Vehicles

303 customers (excluding 30 cancellations by customers) had grants agreed for DfW/IT vehicles, at a cost of £7.9million (302 customers and £7.4million in 2015/16). We also delivered 319 vehicles to customers (291 in 2015/16); this includes

deliveries of some vehicles with grants agreed during the previous year.

Application processing times remained stable. It took, on average, 10 weeks between us receiving a customer's application for a charitable grant and providing a funding decision, following a detailed mobility assessment by one of Motability's regionally-based Mobility Driving Advisors.

We have secured funding until 2019 and will continue to use lease extensions to help manage the predicted increase in applications for DfW/IT vehicles.

Other Grants

We provided 3,453 grants (of the total 8,502 for the year) against an initial forecast of 4,325 grants, including 511 for people in receipt of WPMS. These grants were primarily for Advance Payments towards standard production vehicles and typically medium and large-sized MPVs which are vehicles suited to customers who require higher access seating and space to store disability equipment. Application processing times remained stable throughout the year, averaging 11 days (10 days in 2015/16) between us receiving the application and providing a funding decision.

The number of grants provided for driving lessons decreased by 18% to 862 (1,048 in 2015/16), following changes in late 2015 to the eligibility criteria for driving lessons, to provide funding to those with the greatest need.

Despite the change to criteria, we awarded £1.2million towards funding for driving lessons (of the £2.1million committed for other grants), contributing to 440 learner drivers passing their practical test during 2016/17, and a further 631 students continuing to take lessons to become qualified drivers.

The overall pass rate was 58% which is impressive when compared with the national average of 50%. Last year we modified the lessons structure, to encourage earlier preparation for the theory test. The new structure is working well and contributed to a drop in the average number of lessons each learner needed to pass their test to 35 hours in 2016/17 (37 hours in 2015/16).

Increasing Awareness

We carried out a comprehensive review of content on our website, motability.org.uk, to provide clear guidance about charitable grants. Throughout the year, the number of visitors to our pages reached 135,487 (website launched June 2016). We also began to explore alternative ways in which to convey key messages about charitable grants from Motability, such as information videos.

Assessing Complex Needs

Our Mobility Driving Advisors, qualified to Approved Driving Instructor (ADI) standard, completed 1,283 assessments (1,129 in 2015/16), in line with expectations.



303

customers received grants agreed for DfW/IT vehicles

Report of the Funding and Grant-Making Committee continued...

These assessments included visits to customers who had applied and were eligible for charitable grants funding for DfW/IT and complex passenger vehicles. Assessments were also carried out (when needed) for customers who felt that changes were required to their existing Scheme vehicles. The assessments are usually carried out at customers' homes and provide further understanding of their complex mobility requirements, so we are able to identify solutions which Motability often funds.

Aims for 2017/18

- Maintain the high levels of customer satisfaction (Excellence Target: 92%).
- Ensure we support as many customers as possible within the overall £27million budget, to cover grants for vehicle Advance Payments, adaptations, driving lessons and PIP additional transitional support.
- Launch the new grants database as part of our systems upgrade.

Professor Adrian V Stokes OBE
Chairman of the Funding and
Grant-Making Committee



*“We awarded
£1.2million towards
funding for driving
lessons.”*

Report of the Remuneration Committee

Members of the Remuneration Committee are appointed by the Board of Governors, in consultation with the Chairman of the Committee.

During the year, the Remuneration Committee was chaired by Vice-Chairman, Sir Gerald Acher CBE LVO. Other members of the Committee are Richard Bennison (Honorary Treasurer) and Joanna Lewis.

The Director attends the Committee meetings (but is absent for any discussion about his own remuneration). The Head of Human Resources acts as secretary to the Committee and provides subject matter expertise to the Committee as required in its consideration and application of Motability's remuneration policy.

Individuals are not involved in any Committee discussions or decision which relate directly to their own performance or remuneration.

Responsibilities of the Remuneration Committee

The Remuneration Committee meetings recommends the broad policy for the remuneration of Motability's Senior Executive Management Team to the Board of Governors. It also considers and makes recommendations on the broad remuneration policy for Motability's staff, including the provision of pensions.

In order to carry this out, the Committee will:

- Review and agree the overall market positioning of the remuneration package, including seeking external expertise if required.
- Review annually the process for setting staff salaries at all levels.

- Review any incentive arrangements and recommend any relevant performance targets and payments.
- Approve the employment contracts of the Director and of the key executive staff.

The Remuneration Committee has delegated authority from the Board of Governors, but any significant adjustments or developments of the Remuneration Policy will be referred back to the Board for their consideration.

The Remuneration Committee reports after every meeting to the Board of Governors. The Terms of Reference of the Remuneration Committee are reviewed regularly and approved by the Board.

All members of the Board of Governors are unpaid and their reasonable expenses reimbursed.

Advisors

The Committee draws on the expertise of external independent specialists for benchmarking and advice on best practice as and when required.

Activities of the Committee during the year 2016/17

The Committee met twice in the financial year ending 31 March 2017 and its main activities during the year were to:

- Review and agree any changes to base salaries.
- Review proposed changes to the Motability Stakeholder Pension Plan in light of pension freedoms.

Remuneration Policy

Motability believes in recruiting and retaining high-calibre people. This requires a range of skills and disciplines; we need to pay people fairly and appropriately to ensure we can recruit and retain them in a marketplace where skills are readily transferable to other organisations in both the voluntary and private sectors.

Remuneration is reviewed using established job evaluation models and median salary data from comparable benchmarks, including other charities, to ensure that it is competitive, is able to attract talent and encourage retention.

All Motability employees are provided with a copy of the Annual Business Plan, which describes the organisational and divisional objectives. In addition, all People Managers are provided with an Accountability Statement which sets out expectations of their performance in respect of a range of matters including risk management, adherence to company policies, leadership, diversity and information security.

All employees are paid through payroll, with payments being subject to PAYE and National Insurance contributions as appropriate. Motability does not operate a bonus scheme for any staff.

Report of the Remuneration Committee continued...

“Motability believes in recruiting and retaining high-calibre people.”



Directors' Remuneration Policy

The remuneration package for Directors (the Director, the Director of Finance and the Director of Affinity and Projects) consists of: base salary; core benefits and pension. Motability's approach to each of these elements is described as:

- **Base Salary.** Each year the Remuneration Committee determines the salary of each Director, with regards to the role and its responsibilities, the experience of the individual undertaking the role and market comparatives. Annual

changes are made as appropriate, taking these factors into account.

- **Core Benefits.** Motability provides Directors with a number of core benefits, including private medical insurance, life assurance and a company car (or cash allowance in lieu of a car).
- **Pension.** Motability provides a Stakeholder Pension Plan, which is non-contributory for all employees. Motability makes contributions equivalent to 10% of base salary, and offers a facility to match employee contributions up to a further 5% via salary sacrifice.

Director's Remuneration

In the financial year 2016/17, Motability's Director was paid £171,760, comprising Base Salary of £140,990, Core Benefits of £9,622 and Pension Contributions of £21,148.

Other Matters

Motability is committed to promoting equal pay, and ensures that all salaries exceed the requirements of the National Living Wage.

Sir Gerald Acher CBE LVO
Chairman of the
Remuneration Committee

Financial Review and Results

The Consolidated Statement of Financial Activities by Activity for the year ended 31 March 2017 is shown on page 39.

Overview

We have split our activities into four areas:

- Motability grants to disabled people.
- Specialised vehicle grants to disabled people (passenger WAVs and drive from wheelchair WAVs).
- Transitional support grants.
- Administration and support costs.

Income

Total income (excluding donations to fund the PIP transitional support programme) increased by £10,359,000 to £48,961,000 (2016: £7,302,000 to £38,602,000). This increase is explained by the receipt of a donation of £30,000,000 from Motability Operations. The Board designated this for the purposes of funding WAV grants and during 2017 £11,440,000 was spent alongside the discontinuation of funding from the DWP.

Total grant awards (excluding PIP transitional support grants) were £24,093,000 and were over 14% higher than the 2016 level of £21,084,000. The reserves carried

forward for Grant-Making (including the fund for PIP transitional support grants) increased to £25,272,000 (2016: £9,095,000).

Motability Grants to Disabled People

This activity comprises our Grant-Making for driving lessons, less complex car adaptations and help towards the right vehicle for Scheme customers' needs. We funded these grants through donations from individuals, corporates, Charitable Trusts and legacies and from our trading activities. In future, Motability grants to disabled people will principally be funded from donations from The Motability Tenth Anniversary Trust and Motability Operations as fundraising activity has been reduced, as explained on page 26.

Fundraising income increased to £3,350,000 (2016: £1,699,000). Overall income increased due to higher donations from The Motability Tenth Anniversary Trust, resulting in total income of £4,316,000 (2016: 3,110,000).

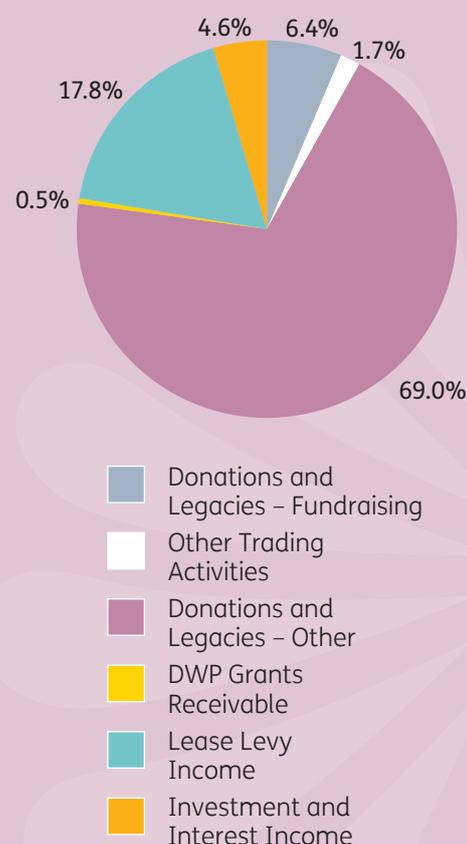
The cost of raising these funds decreased by 37.3% to £770,000.

The cost of grants made decreased by 2.9% to £2,062,000, reflecting the reduction in costs achieved for some adaptations that our customers need.

Specialised Vehicle Grants to Disabled People

These grants are made for customers who require more heavily adapted vehicles, which are either passenger WAVs or DfW vehicles and were historically funded by the DWP and continued to be so up until

Our incoming resources comprise:



Motability Grants to Disabled People

Income	2017 £'000	2016 £'000
Donations, legacies and other trading activities (includes interest)	4,316	3,110
Expenditure		
Raising Funds	770	1,228
Motability-Funded Grants	2,062	2,123
Total	2,832	3,351

Financial Review and Results continued...

31 December 2015. From that date, passenger WAVs have been (and will continue to be) funded by donations from Motability Operations. DfWs have been funded from a donation from The Motability Tenth Anniversary Trust which has undertaken to provide funding for DfWs until 31 December 2018. The table below shows the source of

funds for Specialised Vehicle Grants to Disabled People.

The total grants made to customers requiring either passenger WAVs or DfWs increased by 9.9% to £20.2million, reflecting a continued demand for these vehicles. The practice of extending leases by two years continued and the saving from

the resultant deferral of expenditure is estimated at £8.3million (2016: £7.0million). This has allowed us to assist significantly more customers in aggregate.

PIP transitional support grants

PIP transitional support grants are being funded from donations made by Motability Operations, which have reached a total of £175million to date. Donations during the year of £2,143,000 were received from The Motability Tenth Anniversary Trust. The investment income earned on the invested funds was £2.2million (2016: £3.2million). The charge for grants made was £86.8 million (2016: £35.4million). The increase reflects the higher number of customers now going through the reassessment process and includes provision for our estimated number of customers who will be unsuccessful in the reassessment process up until December 2017, when the Governors' next review of the transitional support package takes place.

Administration and support

Our administration and support costs, including the costs of our pension arrangements, have been funded through a lease levy which is charged by Motability Operations, on our behalf, on each lease contract and historically by a grant from the DWP. The grant from the DWP ceased on 31 December 2015 following the DWP's decision to cease funding the SVF. The lease levy income increased to £9.5million (2016: £8.6million), reflecting an increase in the lease levy from £35 to £40 per lease from 1 January 2016. The lease levy is provided specifically to fund administration costs, including the cost of the administration of the defined benefit pension scheme.

Reserves for Support and Administration costs have increased to £8,399,000 (2016: £6,248,000) including an actuarial gain on the defined benefit pension scheme

Specialised Vehicle Grants to Disabled People

Income	2017 £'000	2016 £'000
DWP Grants	249	7,896
The Motability Tenth Anniversary Trust donation	4,684	3,176
Motability Operations donation	30,000	15,000
Interest and Investment	168	25
Total	35,101	26,097
Expenditure		
Motability-Funded Grants – WAVs	11,440	7,508
Motability-Funded Grants – DfWs	8,554	2,502
DWP Grants	249	8,397
Total	20,243	18,407

PIP Transitional Support Grants

Income	2017 £'000	2016 £'000
Donations	2,143	25,026
Investment income	2,221	3,505
Total	4,364	28,531
Expenditure		
Motability-Funded Grants	1,788	554
Transitional Support Grants	84,967	34,823
Total	86,755	35,377

this year of £790,000 (2016: gain £1,269,000). Please see note 19 for further details.

Fund balances

Restricted funds are in respect of the DfW funding activity, transitional support grants, and our administration and support activity. Restricted funds decreased by £84.5million to £42million due mainly to expenditure on the PIP transition support package.

The restricted fund to cover transitional support grants fell by £83.1million, reflecting the utilization of the large fund balance brought forward. The fund balance for our administration and support costs increased by £2million, reflecting a reduction in the pension fund deficit of £1.6million, and an excess of income over costs for the year. The donation from Motability Operations for funding WAVs resulted in a fund balance of £22.9million to cover grants which we expect to make over the next 12 months. As a result of the £30million Motability Operations donation which has been designated for funding WAVs in 2016/17 and 2017/18, unrestricted funds increased by £20,051,000 to £20,925,000.

Investment policy and objectives

The principal investment objectives are capital preservation and liquidity through the use of a risk-averse portfolio.

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 Charity, 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 balance of the £175million donation received

Administration and Support

	2017 £'000	2016 £'000
Income		
Lease Levy	9,501	8,593
DWP Grant	-	750
Other	43	52
Total	9,544	9,395
Expenditure		
Staff Costs	5,680	5,512
Premises	1,092	587
Other*	2,181	2,508
Total	8,953	8,607

*excluding investment losses

to fund the PIP Transitional Support Scheme is managed by Barclays on behalf of Motability and is invested in a mixture of corporate bonds, fixed term cash deposits and interest bearing deposit accounts along with the SVP donation.

Investment returns for the year ended March 2017 were 1.31%, which comprises interest income and capital appreciation (including gains and losses) net of all fees. This is in line with our expectations when reviewing relevant external benchmarks.

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 2016. It showed the market value of the assets of the scheme to be

£16,550,000 and the present value of the liabilities £24,014,000, resulting in an actuarial deficit of £7,464,000 at that date with a funding level of 69% (deficit of £4,620,000 as at 31 March 2013 with a funding level of 74%). Agreement was reached with the scheme's Trustees in March 2017 that the deficit would be reduced by cash contributions as follows:

- £1,220,000 in each of the years ended 31 March 2017, 2018 and 2019.
- £665,000 on 31 March 2020.

Note 19 details the annually calculated notional valuation under FRS102. The deficit has reduced from £7,464,000 as at 31 March 2016 to £5,836,000 as at 31 March 2017. The scheme's underlying liabilities have increased to £25,297,000 as at 31 March 2017 (2016: £24,014,000), primarily due to a change in the mortality tables used in the calculation of liabilities. There is a rise in the fair value of the scheme's assets to £19,461,000 (2016: £16,550,000).

Financial Review and Results continued...

Following the next triennial valuation in 2019, 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 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. Motability has three main restricted reserves which can be used for payments or transition to PIP, DfW and for support and administration costs for the Scheme.

Unspent restricted funds are carried forward to the next year, with agreement of the funder.

Designated reserves

Following an unrestricted donation of £30million from Motability Operations, the Governors have designated this to reflect grant commitment support with respect to Passenger WAVs. The Governors anticipate that this funding will provide two years' support.

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.

Total unrestricted reserves for the group at 31 March 2017 totalled £20,925,000 of which £18,560,000 (2016: £nil) relates to designated funds and the remainder of £2,365,000 of general funds (2016: £874,000). This represents five months' charitable expenditure during the year (2016: four months). The policy is to ensure that there are between three to six months' reserves at any time to pay current levels of grant commitments. The policy has been reviewed annually by

the Board and is maintained to ensure that Motability is able to meet any future volatility in grant requests that may arise.

Going concern

The financial plans of Motability, including budgets and cash flow forecasts, 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 income grants, 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 as set out on page two, taking into account our current performance, feedback from our customers and an assessment of the risks which we face.

We set the strategic policies and direction of the Motability Scheme

The Scheme Oversight Committee reviews the performance and principal risks faced by the Motability Scheme which are set out on page 25.

We raise awareness of the Motability Scheme

We will continue to work with the DWP and with other disability organisations and healthcare professionals to raise awareness of the Scheme among eligible disabled people, so that they can make an informed choice about whether they choose to join the Scheme or not.

We support qualifying customers who lose Scheme eligibility

We will continue to manage the PIP transitional support payments as the expected coverage of the programme increases, ensuring that customers who lose eligibility to remain on the Scheme are supported in line with the

current transitional support levels and the enhancements to the programme announced in April 2017, subject to the planned review in December 2017.

Summary

In these challenging times for Scheme customers, Motability will continue to offer affordable mobility and excellent service through the Motability Scheme, with charitable grants available to those most in need.

Auditor

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 GCVO CBE
Chairman
24 August 2017

Independent Auditor's Report to the Governors of Motability

We have audited the financial statements of Motability for the year ended 31 March 2017, which comprise the Consolidated and Charity Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes numbered 1 to 22.

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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland'.

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 2017, and of the income and application of resources of the group, for the year then ended;
- have been properly prepared in accordance with the United

Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard' applicable in the UK and Ireland; 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

Statutory Auditor 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.

24 August 2017

Consolidated Statement of Financial Activities

for the year ended 31 March 2017

	Note	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total 2017 £'000	Unrestricted Funds 2016 £'000	Restricted Funds 2016 £'000	Total 2016 £'000
Income and endowments from:							
Donations and Legacies – Fundraising		1,329	2,073	3,402	1,312	387	1,699
Donations and Legacies – Other		30,000	6,827	36,827	-	43,202	43,202
Donations and Legacies	3	31,329	8,900	40,229	1,312	43,589	44,901
DWP Grants Receivable	4	-	249	249	-	8,646	8,646
Lease Levy Income		-	9,501	9,501	-	8,593	8,593
Charitable Activities		-	9,750	9,750	-	17,239	17,239
Other Trading Activities	3	908	-	908	1,414	-	1,414
Interest Receivable		6	181	187	11	362	373
Investment Income		-	2,242	2,242	-	3,200	3,200
Income from Investments	3	6	2,423	2,429	11	3,562	3,573
Income from sales of Fixed Assets		-	9	9	-	6	6
Other Income	3	-	9	9	-	6	6
Total Income and Endowments		32,243	21,082	53,325	2,737	64,396	67,133
Expenditure on:							
Cost of Raising Funds		558	18	576	765	20	785
Fundraising Trading: Cost of Goods Sold and Other Costs		194	-	194	443	-	443
Raising Funds	6	752	18	770	1,208	20	1,228
Motability-Funded Grant-Making	5	11,440	13,426	24,866	1,776	12,683	14,459
Motability-Funded PIP Transitional Support Grants	6	-	88,940	88,940	-	34,823	34,823
DWP Funded Grant-Making	4,6	-	260	260	-	11,028	11,028
Scheme Operations/Communications	6	-	3,177	3,177	-	2,976	2,976
Charitable Activities		11,440	105,803	117,243	1,776	61,510	63,286
Net losses on Investments		-	521	521	-	1,570	1,570
Total Expenditure		12,192	106,342	118,534	2,984	63,100	66,084
Net (Expenditure)/Income		20,051	(85,260)	(65,209)	(247)	1,296	1,049
Actuarial gain/(loss) on defined benefit scheme	19.5	-	790	790	-	1,269	1,269
Net Movement in Funds		20,051	(84,470)	(64,419)	(247)	2,565	2,318
Fund balances brought forward 01 April		874	126,449	127,323	1,121	123,884	125,005
Fund Balances carried forward 31 March	17,18	20,925	41,979	62,904	874	126,449	127,323

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 45 to 67 form an integral part of the financial statements. All the Group's activities in this and the prior period were continuing.

Consolidated Statement of Financial Activities

by Activity for the year ended 31 March 2017

	Note	Motability Grants to Disabled People £'000	Specialised Vehicle Grants to Disabled People £'000	PIP Transitional Support Grants £'000	Admin and Support £'000	Total 2017 £'000
Income and endowments from:						
Donations and Legacies – Fundraising		3,402	-	-	-	3,402
Donations and Legacies – Other		-	34,684	2,143	-	36,827
Donations and Legacies	3	3,402	34,684	2,143	-	40,229
DWP Grants Receivable	4	-	249	-	-	249
Lease Levy Income		-	-	-	9,501	9,501
Charitable Activities		-	249	-	9,501	9,750
Other Trading Activities	3	908	-	-	-	908
Interest Receivable		6	82	65	34	187
Investment Income		-	86	2,156	-	2,242
Income from Investments	3	6	168	2,221	34	2,429
Income from sales of Fixed Assets		-	-	-	9	9
Other Income	3	-	-	-	9	9
Total Income and Endowments		4,316	35,101	4,364	9,544	53,325
Expenditure on:						
Cost of Raising Funds		576	-	-	-	576
Fundraising Trading: Cost of Goods Sold and Other Costs		194	-	-	-	194
Raising Funds	6	770	-	-	-	770
Motability-Funded Grant-Making	5	2,062	19,994	1,788	1,022	24,866
Motability-Funded PIP Transitional Support Grants	6	-	-	84,967	3,973	88,940
DWP Funded Grant-Making	4, 6	-	249	-	11	260
Scheme Operations/Communications		-	-	-	3,177	3,177
Charitable Activities		2,062	20,243	86,755	8,183	117,243
Net losses on Investments		-	165	356	-	521
Total Expenditure		2,832	20,408	87,111	8,183	118,534
Net (Expenditure)/Income		1,484	14,693	(82,747)	1,361	(65,209)
Actuarial gain/(loss) on defined benefit scheme	19.5	-	-	-	790	790
Net Movement in Funds		1,484	14,693	(82,747)	2,151	(64,419)
Fund balances brought forward 01 April		882	8,213	111,980	6,248	127,323
Fund Balances carried forward 31 March		2,366	22,906	29,233	8,399	62,904

Consolidated Statement of Financial Activities

by **Activity** for the year ended 31 March 2016

	Note	Motability Grants to Disabled People £'000	Specialised Vehicle Grants to Disabled People £'000	Transitional Support Grants £'000	Admin and Support £'000	Total 2016 £'000
Income and endowments from:						
Donations and Legacies - Fundraising		1,684	-	-	15	1,699
Donations and Legacies - Other		-	18,176	25,026	-	43,202
Donations and Legacies	3	1,684	18,176	25,026	15	44,901
DWP Grants Receivable	4	-	7,896	-	750	8,646
Lease Levy Income		-	-	-	8,593	8,593
Charitable Activities		-	7,896	-	9,343	17,239
Other Trading Activities	3	1,414	-	-	-	1,414
Interest Receivable		12	25	305	31	373
Investment Income		-	-	3,200	-	3,200
Income from Investments	3	12	25	3,505	31	3,573
Income from sales of Fixed Assets		-	-	-	6	6
Other	3	-	-	-	6	6
Total Income and Endowments		3,110	26,097	28,531	9,395	67,133
Expenditure on:						
Cost of raising Funds		785	-	-	-	785
Fundraising Trading: Cost of Goods Sold and Other Costs		443	-	-	-	443
Raising Funds	6	1,228	-	-	-	1,228
Motability-Funded Grant-Making	5	2,123	10,010	554	1,772	14,459
Motability-Funded PIP Transitional Support Grants	5,6	-	-	34,823	-	34,823
DWP Funded Grant-Making	4,6	-	8,397	-	2,631	11,028
Scheme Operations/Communications	6	-	-	-	2,976	2,976
Charitable Activities		2,123	18,407	35,377	7,379	63,286
Net losses on Investments		-	-	1,570	-	1,570
Total Expenditure		3,351	18,407	36,947	7,379	66,084
Net (Expenditure)/Income		(241)	7,690	(8,416)	2,016	1,049
Actuarial gain/(loss) on defined benefit scheme	19.5	-	-	-	1,269	1,269
Net Movement in Funds		(241)	7,690	(8,416)	3,285	2,318
Fund Balances brought forward 01 April		1,123	523	120,396	2,963	125,005
Fund Balances carried forward 31 March		882	8,213	111,980	6,248	127,323

Statement of Financial Activities (Charity Only) for the year ended 31 March 2017

	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total 2017 £'000	Unrestricted Funds 2016 £'000	Restricted Funds 2016 £'000	Total 2016 £'000
Income and endowments from:						
Donations and Legacies – Fundraising	1,665	2,073	3,738	1,615	387	2,002
Donations and Legacies – Other	30,000	6,827	36,827	-	43,202	43,202
Donations and Legacies	31,665	8,900	40,565	1,615	43,589	45,204
DWP Grants Receivable	-	249	249	-	8,646	8,646
Lease Levy Income	-	9,501	9,501	-	8,593	8,593
Charitable Activities	-	9,750	9,750	-	17,239	17,239
Other Trading Activities	487	-	487	1,005	-	1,005
Interest Receivable	5	181	186	11	362	373
Investment Income	-	2,242	2,242	-	3,200	3,200
Income from Investments	5	2,423	2,428	11	3,562	3,573
Income from sales of Fixed Assets	-	9	9	-	6	6
Other Income	-	9	9	-	6	6
Total Income and Endowments	32,157	21,082	53,239	2,631	64,396	67,027
Expenditure on:						
Cost of Raising Funds	558	18	576	765	20	785
Fundraising Trading: Cost of Goods Sold and Other Costs	109	-	109	336	-	336
Raising Funds	667	18	685	1,101	20	1,121
Motability-Funded Grant-Making	11,440	13,426	24,866	1,776	12,683	14,459
Motability-Funded PIP Transitional Support Grants	-	88,940	88,940	-	34,823	34,823
DWP Funded Grant-Making	-	260	260	-	11,028	11,028
Scheme Operations/Communications	-	3,177	3,177	-	2,976	2,976
Charitable Activities	11,440	105,803	117,243	1,776	61,510	63,286
Net losses on Investments	-	521	521	-	1,570	1,570
Total Expenditure	12,107	106,342	118,449	2,877	63,100	65,977
Net (Expenditure)/Income	20,050	(85,260)	(65,210)	(246)	1,296	1,050
Actuarial gain/(loss) on defined benefit scheme	-	790	790	-	1,269	1,269
Net Movement in Funds	20,050	(84,470)	(64,420)	(246)	2,565	2,319
Fund Balances brought forward 01 April	860	126,449	127,309	1,106	123,884	124,990
Fund Balances carried forward 31 March	20,910	41,979	62,889	860	126,449	127,309

The Charity has no recognised gains or losses other than those shown in the SoFA, and no separate statement of total recognised gains and losses is presented. The notes on pages 45 to 67 form an integral part of the financial statements. All the activities in this and the prior period were continuing.

Balance Sheet

at 31 March 2017

	Note	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Fixed Assets	10	2,409	2,664	2,409	2,664
Current Assets:					
Debtors	11	5,954	3,906	6,492	4,345
Current Asset Investments	12	124,094	143,605	124,094	143,605
Short Term Deposits		3,000	17,600	3,000	17,600
Cash		28,358	20,142	27,790	19,671
Net Current Assets Total		161,406	185,253	161,376	185,221
Creditors: amounts falling due within one year	13	(15,965)	(9,952)	(15,950)	(9,934)
Total Assets less Current Liabilities		147,850	177,965	147,835	177,951
Creditors: amounts falling due after one year	15	(82)	(61)	(82)	(61)
Provisions	14	(79,028)	(43,117)	(79,028)	(43,117)
Net Assets excluding pension liability		68,740	134,787	68,725	134,773
Pension Liability	19.1	(5,836)	(7,464)	(5,836)	(7,464)
Total Net Assets		62,904	127,323	62,889	127,309
Represented by:					
Restricted Funds:					
Balance before pension deficit	17	47,815	133,913	47,815	133,913
Pension Deficit	17, 19.2	(5,836)	(7,464)	(5,836)	(7,464)
Total Restricted Funds		41,979	126,449	41,979	126,449
Unrestricted Funds	18	20,925	874	20,910	860
Total Funds		62,904	127,323	62,889	127,309

The notes on pages 45 to 67 form an integral part of the financial statements.

The financial statements on pages 38 to 67 were approved and authorised for issue by the Board of Governors on 24 August 2017. and were signed on its behalf by:

The Lord Sterling of Plaistow GCVO CBE, Chairman
Richard Bennison, Hon. Treasurer

Group Balance Sheet by Activity

at 31 March 2017

	Note	Motability Grants to Disabled People £'000	Specialised Vehicle Grants to Disabled People £'000	Transitional Support Grants £'000	Admin and Support £'000	Total 2017 £'000
Fixed Assets	10	-	-	-	2,409	2,409
Current Assets						
Debtors	11	2,090	686	1,299	1,879	5,954
Current Asset Investments	12	-	27,728	96,366	-	124,094
Short Term Deposits		-	-	-	3,000	3,000
Cash		1,751	6,411	11,448	8,748	28,358
Net Current Assets Total		3,841	34,825	109,113	13,627	161,406
Creditors: amounts falling due within one year	13	(1,475)	(11,919)	(1,660)	(911)	(15,965)
Total Assets less Current Liabilities		2,366	22,906	107,453	15,125	147,850
Creditors: amounts falling due after one year	15	-	-	-	(82)	(82)
Provisions	14	-	-	(78,528)	(500)	(79,028)
Net Assets excluding pension liability		2,366	22,906	28,925	14,543	68,740
Pension Liability	19.1	-	-	-	(5,836)	(5,836)
Total Net Assets		2,366	22,906	28,925	8,707	62,904
Represented by:						
Restricted Funds						
Balance before pension deficit		1	4,346	28,925	14,543	47,815
Pension Deficit		-	-	-	(5,836)	(5,836)
Total Restricted Funds		1	4,346	28,925	8,707	41,979
Unrestricted Funds		2,365	18,560	-	-	20,925
Balance		2,366	22,906	28,925	8,707	62,904

Consolidated Cash Flow Statement

for the year ended
31 March 2017

	Note	2017 £'000	2016 £'000
Net cash (used in)/provided by operating activities	21	(8,517)	(10,214)
Cash flows from investing activities			
Interest receivable		187	373
Investment income		2,242	3,200
Purchase of tangible fixed assets	10	(305)	(806)
Proceeds from sale of tangible fixed assets		9	6
Decrease in short-term deposits		14,600	9,400
Net cash provided by investing activities		16,733	12,173
Change in cash and cash equivalents in the year		8,216	1,959
Cash and cash equivalent brought forward		20,142	18,183
Cash and cash equivalent carried forward		28,358	20,142
Reconciliation of cash and cash equivalents			
		2017 £'000	2016 £'000
Cash		28,358	20,142
Cash and cash equivalents		28,358	20,142

Short-term deposits and current asset investments all have a maturity date of greater than six months and so are not considered to be cash equivalents. The notes on pages 45 to 67 form an integral part of the financial statements.

Notes to the Financial Statements

1. Accounting Policies

Company and charitable status
Motability, a public benefit entity is registered with the Charity Commission, Charity No. 299745, in England and Wales.

Consolidation

Group financial statements have been prepared in respect of the Charity and its wholly owned subsidiary, Motability Enterprises Limited, which is incorporated in the United Kingdom and registered in England and Wales. These financial statements 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 by events held within the year and commission received from home, pet and travel insurance partners.

Basis of Accounting

The accounts (financial statements) have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The accounts (financial statements) have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial

Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

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 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.

a) Income

Income is accounted for when the Charity is entitled to the income, and when it is probable the income will be received and the amount can be measured reliably.

Donations and legacies are recognised when the Charity is entitled to the income, and when it is probable the income will be received.

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 from Government is 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) Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is classified under the following activities:

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 Raising Funds' comprises costs directly attributable to activities for raising 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 direct charitable expenditure, grants and 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, these are now allocated as part of support costs. Due to the significant number of transactions in 2017 in support of Motability funded Transitional Support costs for the same have been allocated for the first time.

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

Notes to the Financial Statements

continued...

c) Fixed Assets

Assets are included on the balance sheet at cumulative historical cost less depreciation and any impairments in accordance with FRS102. 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. They provide funds for the purpose of Grant-Making and supporting Motability's administration and support costs. These funds are held by Motability until spent in accordance with the terms of the grant.

Designated funds are funds which Governors have set aside for a particular activity or purpose. If funds are unspent at the end of a project or activity they are transferred to unrestricted funds or designated for another purpose.

e) Pension Costs

The Charity operates a defined benefit pension scheme for certain employees. The amounts charged to the Statement of Financial Activities are the costs arising from employee services rendered during the period and the cost of plan introductions,

benefit changes, settlements and curtailment. They are included as part of staff costs. The net interest cost on the defined benefit liability is charged to the Statement of Financial Activities and included within support costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the SoFA.

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. An annual review is carried out each autumn.

h) Financial instruments

The Charity and group only have financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value, with the exception of listed investments which are held at fair value through profit and loss.

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and

provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Current investments are bonds with maturity dates ranging from 2017 to 2020. They are intended to be used to fund the PIP payments as they reach maturity.

Short term deposits are treasury deposits and held for between six and 18 months.

Cash and cash equivalents is instant cash that the charity has available.

i) Dilapidation Provision

Under the terms of the lease the Charity will be required to make good the condition of the property when it leaves. The provision in the accounts is based on a 'cost of works' for this work to be carried out.

j) Critical accounting judgements and key sources of estimation

In the application of the accounting policies, which are described within this note, the Governors are required

to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

PIP Provision

The estimates and underlying assumptions relating to the PIP transition payment are reviewed on an ongoing basis, and an annual review of the PIP transitional support package takes place each autumn. The PIP provision has been calculated using a model that looks at the actual information for the financial year 2016/17. The provision for 2015/16 was based on an estimate that ranged from a low of £40,627,000 to a high of £47,338,000. The actual spend for 2016/17 was £49,072,000 with £22,677,000 anticipated spend to the provision end of June 2017, totalling £71,749,000. The provision was significantly lower than

actual expenditure as the DWP PIP reassessment caseload was much higher than forecast. The range for 2016/17 is a low of £59,500,000 and a high of £95,600,000. The PIP provision is based on a number of assumptions that are outlined in note 14.

For the provision this year some assumptions have changed to reflect recent experience. One significant change is that the DWP anticipate to maintain their current high volume of PIP reassessments. In April 2017 an additional option in the transitional support package was announced whereby customers can choose to retain their car for longer, up to a total of 26 weeks, and still qualify for a reduced transitional support payment. To the extent that customers choose extra time in their car, the liability for transitional support payment falls. An assumption regarding the take up of this option has been included in the provision estimate.

Pension obligations

The actuarial assumptions underlying the pension deficit are set out in note 19.

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 charitable grants funding on page 26.

	2017 £'000	2016 £'000
Income and Expenditure Account		
Turnover	675	628
Less cost of sales	(75)	(97)
Gross Profit	600	531
Administration expenses	(264)	(229)
Interest Receivable	1	1
Net Profit	337	303
Gift aided to Motability	(337)	(303)
Retained in Subsidiary	-	-

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

Notes to the Financial Statements continued...

3. Donations and legacies

	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total 2017 £'000	Total 2016 £'000
Donations and legacies:				
Fundraising - Donations	1,277	2,073	3,350	1,699
Fundraising - Legacies	52	-	52	-
The Motability Tenth Anniversary Trust Donations	-	6,827	6,827	3,202
Motability Operations - Specialised Vehicle Designated Donation	30,000	-	30,000	15,000
Transitional Support Donation	-	-	-	25,000
Donations and legacies - Total	31,329	8,900	40,229	44,901
Activities for Raising Funds:				
Trading Subsidiary Income (Note 2)	675	-	675	628
Raffles held in Great Britain	233	-	233	786
Other trading activities - Total	908	-	908	1,414
Interest Receivable	6	181	187	373
Investment Income	-	2,242	2,242	3,200
Income from Investments - Total	6	2,423	2,429	3,573
Income from sale of Fixed Assets	-	9	9	6
Other Income	-	9	9	6
Income from Fundraising Activities:				
Voluntary Fundraising Income	1,329	2,073	3,402	1,699
Trading Subsidiary Income (Note 2)	675	-	675	628
Raffles held in Great Britain	233	-	233	786
Fundraising Activities	2,237	2,073	4,310	3,113

4. DWP Funding

	Income 2017 £'000	Expenditure 2017 £'000	Income 2016 £'000	Expenditure 2016 £'000
Grants to Disabled People:				
Ex-Invalid Vehicle Scheme	-	-	(2)	1
War Pensioners	249	249	218	218
Specialised Vehicles Funds	-	-	7,680	8,178
DWP Grants to Disabled People	249	249	7,896	8,397
Support Costs	-	11	750	2,631
Total DWP Grant-Making	249	260	8,646	11,028

Motability funding from DWP for Ex-Invalid Vehicle Scheme and Specialised Vehicles Fund ceased on 31 December 2015.

Notes to the Financial Statements

continued...

5. Motability Funded Grant-Making

	Unrestricted 2017 £'000	Restricted 2017 £'000	Total 2017 £'000	Total 2016 £'000
Grants to Disabled People				
Adaptations and Advance Payments	-	3,449	3,449	2,951
Driving Lessons	-	932	932	1,053
Lease Refunds	-	(452)	(452)	(394)
Motability Operations' Discount	-	(1,792)	(1,792)	(1,658)
Specialised Vehicle Fund to disabled people	11,440	8,554	19,994	10,011
Transitional Support Grants	-	1,788	1,788	554
Movement in Commitments	-	(75)	(75)	170
Charitable Grants to Disabled People	11,440	12,404	23,844	12,687
Support Costs	-	1,022	1,022	1,772
Total Motability Funded Grant-Making	11,440	13,426	24,866	14,459

The number of Charitable Grants awarded in 2017 increased to 4,665 (2016: 4,410).
£1,792,000 (2016: £1,658,000) was received as a discount negotiated with Motability
Operations on vehicles for customers whose leases had been supported by Charitable Grants.

	2017 £'000	2016 £'000
PIP Transitional Support Grants to Customers		
Transitional Support Payments	49,072	17,760
PIP Provision Charge	35,895	17,063
Total Transitional Support Grants	84,967	34,823

The number of transitional support Grants payments made in 2017 was 26,544 (2016: 9,553).

6. Analysis of Total Resources Expended

2017	Grants to Disabled People 2017 £'000	Support Costs			Total 2017 £'000
		Staff Costs 2017 £'000	Premises and Depreciation 2017 £'000	Other 2017 £'000	
Cost of Generating Donations	-	484	32	60	576
Cost of Goods Sold and Other Costs	-	-	-	194	194
Total Cost of Raising Funds	-	484	32	254	770
Motability Funded Grant-Making	23,844	674	138	210	24,866
Motability Funded Transitional Support Costs	84,967	2,418	494	1,061	88,940
DWP Funded Grant-Making	249	8	1	2	260
Scheme Oversight/Communications	-	2,096	427	654	3,177
Net losses on Investments	-	-	-	521	521
Total Resources Expended	109,060	5,680	1,092	2,702	118,534

Other Costs comprise £612,000 of Facilities Costs, £324,000 of IT Support Costs, £4,000 of Finance Support Costs, £314,000 of Governance Costs, £521,000 of Investment Losses and £927,000 of other costs.

2016	Grants to Disabled People 2016 £'000	Support Costs			Total 2016 £'000
		Staff Costs 2016 £'000	Premises 2016 £'000	Other 2016 £'000	
Cost of Generating Donations	-	264	13	508	785
Cost of Goods Sold and Other Costs	-	288	14	141	443
Total Cost of Raising Funds	-	552	27	649	1,228
Motability Funded Grant-Making	12,687	1,213	160	399	14,459
Motability Funded Transitional Support Costs	34,823	-	-	-	34,823
DWP Funded Grant-Making	8,397	1,881	206	544	11,028
Scheme Oversight/Communications	-	1,866	194	916	2,976
Net losses on Investments	-	-	-	1,570	1,570
Total Resources Expended	55,907	5,512	587	4,078	66,084

Other Costs comprise £652,000 of Facilities Costs, £141,000 of IT Support Costs, £4,000 of Finance Support Costs, £336,000 of Governance Costs, £1,570,000 of Investment Losses and £1,375,000 of other costs.

Notes to the Financial Statements continued...

7. Expenditure

The following have been charged within expenditure:

	2017 £'000	2016 £'000
Publicity expenses	629	460
Depreciation	560	623
Fees payable to the Statutory Auditor		
Fees for the Statutory Audit of Motability accounts	45	37
Fees for the Statutory Audit of subsidiary accounts	6	4
Fees payable to the Statutory Auditor for Other Services		
Financial Conduct Authority application	6	38
Corporation Tax advice	2	-
Fees payable to other professional advisors		
Professional Fees - Pension	22	-
Professional Fees - IT and Finance Strategy	17	-
Fees for other services	3	2
Operating Lease Rentals		
Premises	322	346
Vehicles	1	17
Plant and Machinery	14	12

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:

	2017 Number	2016 Number
Administration	108	109
Fundraising	8	10
Governors	9	10
	125	129

2017 Fundraising headcount includes those under notice of redundancy.

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

	2017 £'000	2016 £'000
Salaries including benefits in kind	3,961	3,535
Staff restructure programme	126	46
Social Security costs	374	361
Pension costs: Defined benefit	534	446
Pension costs: Defined contribution	468	435
Other Staff Costs	217	231
	5,680	5,054

The number of employees whose emoluments, including pension contributions, for the year fell within the following bands:

	2017 Number	2016 Number
£60,000 to £69,999	4	4
£70,000 to £79,999	4	5
£80,000 to £89,999	2	1
£110,000 to £119,999	1	1
£130,000 to £139,999	1	0
£160,000 to £169,999	0	1
£170,000 to £179,999	1	0
	13	12

The key management personnel of the Charity are the Directors as noted on page 69.

The total remuneration (including pension contributions) of the key management personnel of the Charity for the year totalled £420,000 (2016: £359,000) including employers NIC.

Notes to the Financial Statements

continued...

8. Governors, Staff and Related Parties (continued)

b) Governors' emoluments

No Governor received any emoluments during the year (2016: nil). Two Governors (2016: Two) received reimbursement of expenses amounting to £275 (2016: £481).

d) 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.

e) Related parties

Motability directs and oversees the Motability Scheme which is operated on behalf of Motability by Motability Operations, a separate commercial company whose shares are held by four major banks.

Motability paid Motability Operations £17,383,000 (2016: £20,617,000), in respect of grants awarded to customers, to fund Advance Payments and adaptations on vehicles provided under the lease schemes by Motability Operations to customers in receipt of grants. This includes £1,792,000 (2016: £1,658,000) received as a discount, negotiated with Motability Operations on vehicles for customers whose leases had been supported by Charitable Grants.

As at 31 March 2017 Motability Operations was due £518,300 (2016: £599,713) from Motability.

In addition, £2,667,204 (2016: £2,884,000) was received from Motability Operations as rebates, where customers early terminated their lease agreements, in respect of grant awards towards Advance Payments and adaptations managed by Motability Operations.

Motability received from Motability Operations £9,501,000 (2016: £8,593,000) 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 2017 £1,416,672 (2016: £1,402,272) was due to Motability from Motability Operations.

Motability received no restricted donations in the year (2016: £25,000,000) from Motability Operations in respect of funding the PIP transitional support programme. However, an unrestricted donation was received from Motability Operations of £30,000,000 which has been designated by the Governors for SVP (2016: £nil).

Motability held no investments in Motability Operations as at 31 March 2017 (2016: £1,785,840) as part of its investment portfolio which is managed on its behalf by Barclays. In 2016 this represented 1.4% of the overall investment portfolio.

Motability has taken the exemption under FRS 102 from disclosing transactions with its trading subsidiary, Motability Enterprises Limited.

Motability paid £1,300,000 to 'Motability Pension Scheme' in respect of the defined benefit scheme which was closed to future accrual from 30 April 2012. See Note 19.

f) Related Charity

The Motability Tenth Anniversary Trust Limited (The 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.

The MTAT is a separate charity. Two of the five of The MTAT Trustees also serve as Governors of Motability. The Governors do not regard The MTAT as a related party as defined by FRS 102. During the period, requests were made by Motability for grant funding of £620,458 (2016: £100,000) and the MTAT provided donations of £2,142,560 (2016: £26,242) for the PIP transitional support programme. A donation was received from the MTAT of £4,684,440 for SVD (2016: £3,176,000).

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 and Wales. 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
Cost							
Balance at 01 April 2016	2,772	243	265	699	1,119	408	5,506
Additions	17	2	19	193	51	23	305
Transfers	-	-	(124)	124	-	-	-
Disposals	-	-	(30)	(151)	(383)	(69)	(633)
At 31 March 2017	2,789	245	130	865	787	362	5,178
Depreciation							
Balance at 01 April 2016	688	54	203	642	957	298	2,842
Charge for the year	279	25	24	72	89	71	560
Transfers	-	-	(124)	124	-	-	-
Disposals	-	-	(28)	(151)	(384)	(70)	(633)
At 31 March 2017	967	79	75	687	662	299	2,769
Net book value							
At 31 March 2017	1,822	166	55	178	125	63	2,409
At 31 March 2016	2,084	189	62	57	162	110	2,664

All assets are used for direct charitable purposes.

Notes to the Financial Statements continued...

11. Debtors

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
War Pensioners	63	58	63	58
Total owed by DWP	63	58	63	58
Other Debtors	3,727	1,832	3,673	1,764
Due from Subsidiary	-	-	591	523
Prepayments and accrued income	2,164	2,016	2,165	2,000
Total Debtors	5,954	3,906	6,492	4,345

12. Current Asset Investments

At 31 March 2017, investments comprised:

	2017 £'000	2016 £'000
Diversified Money Market Fund	10,007	24,760
Short Maturity Investment Grade Bonds	75,743	56,777
Investment Grade Bonds	38,344	62,068
Total	124,094	143,605
Investments held are as follows:		
UK	23,368	57,035
Non-UK	100,726	86,570
Total	124,094	143,605

All UK and Non-UK investments are Sterling denominated.
These investments have arisen due to the receipt of the donations received to fund the PIP transitional support programme and SVP grants.

13. Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Trade Creditors				
Authorised grants awaiting payment:				
Charitable Grants	1,321	1,397	1,321	1,397
Specialised Vehicles Fund	11,104	5,892	11,104	5,892
War Pensioners	42	35	42	35
PIP Transitional Support	266	100	266	100
Trade Creditors	2,510	1,753	2,510	1,745
Taxation and social security	435	448	436	448
Accruals	287	326	271	317
Deferred Income	-	1	-	-
Total Creditors falling due within one year	15,965	9,952	15,950	9,934

Notes to the Financial Statements

continued...

14. Provisions

Charity and Group Dilapidation Provision	2017 £'000	2016 £'000
Provision brought forward 1 April	500	-
Movement in dilapidations provision	-	500
Provision carried forward 31 March	500	500
<hr/>		
PIP Provision	2017 £'000	2016 £'000
Provision brought forward 1 April	42,617	25,542
Provision utilised in year	(49,072)	(17,760)
Charges in the year	84,967	34,823
PIP Provision carried forward 31 March	78,512	42,605
Movement in uncashed transitional support cheques	16	12
Total PIP Provision carried forward 31 March	78,528	42,617
<hr/>		
Total Provisions carried forward 31 March	79,028	43,117

14. Provisions (continued)

In 2013 Motability announced that it would help customers who, due to the transition from DLA to 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 November 2016 Motability engaged in discussions with the DWP on allowing customers to retain cars for longer following a failed PIP reassessment, as discussed in Parliament in December 2016. This was subsequently announced on 20 April 2017 as an additional option in the transitional support programme whereby customers could choose to retain their car for up to a total of 26 weeks and still qualify for a reduced transitional support payment. Customers eligible for £2,000 could retain their vehicle and still be entitled to £500 transitional support payment at the end of that extended period. Similarly, customers entitled to £1,000 could have a reduced payment of £250.

In order to fund this transitional support, Motability Operations have previously provided donations totaling £175,000,000 and £49,072,000 has been paid this year (2016: £17,760,000).

Following detailed customer research in autumn 2016, the Governors reviewed the overall effectiveness of the transitional support programme and concluded that it was meeting the original objective of assisting customers to retain their mobility following departure from the Scheme. They concluded that the programme should continue and that no changes to the programme were required at that time. In order

to ensure the most effective use of the available funds, Governors will again review all aspects of the support package in autumn 2017, taking account of customer feedback, economic circumstances and any possible changes the Government may be making to PIP at that time. As at 31 March 2017, the support programme has been running for three years and management believe that a reasonable estimate of the constructive economic obligation as at 31 March 2017 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 who might leave the Scheme by 30 June 2018. This date would allow for communication to the customers of any potential changes to the Scheme in January 2018 following the review in autumn 2017.

The provision included is based on the estimated cost of providing support to the projected numbers of qualifying claimants in the fifteen months to 30 June 2018. 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 reassessments and the consequential rise in customers becoming eligible for PIP transitional support payments has been based on available data.
- 2.** The failure rate – the percentage of customers becoming ineligible for the necessary level of PIP award following reassessment. A number of scenarios have been modelled and in line with experience to March 2017 this rate has been estimated at 45%.
- 3.** Weighted average support payment – the average cost of the support payment is assumed at £1,900 per customer based on an

analysis of the actual existing customer profile.

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%.

6. The proportion of eligible customers who opt to take a reduced support payment but retain their Scheme vehicle for longer. Customer research conducted in November 2016 indicated that approximately 35% of people who failed a PIP reassessment ended up with an Appeal. This percentage has been used as the assumed proportion of customers who will choose a lower support payment.

The above assumptions are subject to a level of individual uncertainty especially the number and timing of customer PIP assessments. Please also see note j) in note 1.

The balance of £29,233,000 (2016: £111,980,000) 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.

Notes to the Financial Statements continued...

15. Creditors: amounts falling due after one year

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Amortised rent free period on current premises lease	82	61	82	61
Total Creditors falling due after one year	82	61	82	61

16. Analysis of Group Net Assets/Liabilities between Funds

	Designated Funds £'000	General Funds £'000	Total Unrestricted Funds £'000	Restricted Funds £'000	Total Group Funds £'000
Fund Balances at 31 March 2017 are represented by:					
Tangible fixed assets	-	-	-	2,409	2,409
Current assets	18,560	2,365	20,925	140,481	161,406
Current liabilities	-	-	-	(15,965)	(15,965)
Provisions	-	-	-	(79,028)	(79,028)
Creditors over one year	-	-	-	(82)	(82)
Net Assets excluding pension liability	18,560	2,365	20,925	47,815	68,740
Pension liability	-	-	-	(5,836)	(5,836)
Net Assets including pension liability	18,560	2,365	20,925	41,979	62,904

Fund Balances at 31 March 2016 are represented by:

Tangible fixed assets	-	-	-	2,664	2,664
Current assets	-	2,497	2,497	182,756	185,253
Current liabilities	-	(1,623)	(1,623)	(8,329)	(9,952)
Provisions	-	-	-	(43,117)	(43,117)
Creditors over one year	-	-	-	(61)	(61)
Net Assets excluding pension liability	-	874	874	133,913	134,787
Pension liability	-	-	-	(7,464)	(7,464)
Net Assets including pension liability	-	874	874	126,449	127,323

17. 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:

Movement in Funds:	Balance 31/03/2016 £'000	Income £'000	Expenditure £'000	Investment Gains and Losses £'000	FRS 102 Pension Adjustment	Balance 31/03/2017 £'000
Fundraising - Donations and appeals	8	2,073	(2,080)	-	-	1
Specialised Vehicle Fund to disabled people	8,189	4,684	(8,554)	3	-	4,322
PIP Transitional Support Programme	111,980	2,143	(86,755)	1,865	-	29,233
Funding in relation to administration costs	13,712	9,510	(8,183)	34	-	15,073
War Pensioners	24	249	(249)	-	-	24
FRS 102 Pension Adjustment	-	-	-	-	(838)	(838)
Balance before pension deficit	133,913	18,659	(105,821)	1,902	(838)	47,815
Pension Deficit	(7,464)	-	-	1,628	-	(5,836)
Total Restricted Funds	126,449	18,659	(105,821)	3,530	(838)	41,979

Movement in Funds:	Balance 31/03/2015 £'000	Income £'000	Expenditure £'000	Investment Gains and Losses £'000	FRS 102 Pension Adjustment	Balance 31/03/2016 £'000
Fundraising - Donations and appeals	2	372	(366)	-	-	8
Specialised Vehicle Fund to disabled people	-	18,203	(10,376)	362	-	8,189
PIP Transitional Support Programme	120,396	28,531	(40,147)	3,200	-	111,980
Funding in relation to administration costs	12,021	9,396	(7,705)	-	-	13,712
War Pensioners	522	7,894	(8,392)	-	-	24
FRS 102 Pension Adjustment	-	-	-	-	-	-
Balance before pension deficit	132,941	64,396	(66,986)	3,562	-	133,913
Pension Deficit	(9,057)	-	-	1,593	-	(7,464)
Total Restricted Funds	123,884	64,396	(66,986)	5,155	-	126,449

Notes to the Financial Statements

continued...

18. Unrestricted Funds

	Balance 31/03/2016 £'000	Income £'000	Expenditure £'000	Investment Gains and Losses £'000	Balance 31/03/2017 £'000
Movement in Funds:					
Charity					
General Fund	860	2,152	(667)	5	2,350
Designated Fund	-	30,000	(11,440)	-	18,560
Total Charity Unrestricted Funds	860	32,152	(12,107)	5	20,910
Group					
General Fund	874	2,237	(752)	6	2,365
Designated Fund	-	30,000	(11,440)	-	18,560
Total Group Unrestricted Funds	874	32,237	(12,192)	6	20,925

	Balance 31/03/2015 £'000	Income £'000	Expenditure £'000	Investment Gains and Losses £'000	Balance 31/03/2016 £'000
Movement in Funds:					
Charity					
General Fund	1,106	2,620	(2,877)	11	860
Designated Fund	-	-	-	-	-
Total Charity Unrestricted Funds	1,106	2,620	(2,877)	11	860
Group					
General Fund	1,121	2,726	(2,984)	11	874
Designated Fund	-	-	-	-	-
Total Group Unrestricted Funds	1,121	2,726	(2,984)	11	874

19. 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 2016. This valuation used the following assumptions:

	%
Investment return in deferment	4.45
Investment return in payment	2.40
Salary increases	nil
Pension increases (2.70% for GMP)	2.00

At 31 March 2016 the market value of the scheme's assets was £16,550,000, the present value of liabilities was £24,014,000, resulting in an actuarial deficit of £7,464,000, equivalent to a funding level of 69%. The employer, having considered the various recovery plans, agreed to pay £1,220,000 each year for the next three years ended 31 March 2017, 2018 and 2019 and £665,000 on the 31 March 2020 following agreement with the pension trustees.

A qualified actuary using revised assumptions that are consistent with the requirements of FRS 102 has updated the actuarial valuation described above at 31 March 2017. Investments have been valued for this purpose at fair value.

The pension cost to the Charity under FRS 102 was £462,000 (2016: £446,000).

The major assumptions used for the FRS 102 actuarial valuation were:

	2017 %	2016 %	2015 %
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase in pensions in payment	2.20	2.50	2.40
Discount Rate	2.50	3.40	3.10
Price inflation	3.20	3.40	3.30

Notes to the Financial Statements continued...

19.1. 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:

	2017 %	2017 £'000	2016 %	2016 £'000	2015 %	2015 £'000
Equities	2.50	11,155	3.40	9,604	3.10	9,089
Bonds / Gilts	2.50	3,524	3.40	4,023	3.10	5,153
Cash	2.50	3,187	3.40	1,653	3.10	1,180
Property and other	2.50	1,595	3.40	1,270	3.10	717
Total fair value of assets		19,461		16,550		16,139
Present value of scheme liabilities		(25,297)		(24,014)		(25,196)
Net pension liability		(5,836)		(7,464)		(9,057)

The rates used for the expected return on scheme assets are based on the requirements of SORP 2015 (FRS 102) as these determine the predicted return in the year to 31 March 2017. The contribution rate for 2017 was nil of pensionable earnings (2016: nil) due to the scheme being closed to future accrual with effect from 30 April 2012.

	2017 %	2016 %
Equities	57.32	58.02
Bonds / Gilts	18.11	24.31
Cash	16.38	9.99
Property and other	8.19	7.68

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:

	2017	2016
Retiring Now		
Males	22.20	23.70
Females	24.30	26.20
Retiring in 20 years		
Males	24.00	27.00
Females	26.20	29.40

19.2. The movement in the scheme's deficit over the year to 31 March 2017 is summarised as follows:

	2017 £'000	2016 £'000
The Pension Deficit as at 31 March comprises:		
Pension Deficit at 1 April	(7,464)	(9,057)
Actuarial gain in the year	790	1,269
Deficit Recovery Plan Payment	1,220	690
Contribution to Scheme administration costs	80	80
Subtotal	(5,374)	(7,018)
Analysis of amounts (charged) to the SoFA for the year:		
Employer's contributions	-	-
Other finance cost	(260)	(286)
Current service cost	(202)	(160)
Subtotal	(462)	(446)
Pension Deficit at 31 March	(5,836)	(7,464)

19.3. Analysis of the amount that has been charged/(credited) to operating profit under FRS 102:

	2017 £'000	2016 £'000
Current service cost	202	160
Total	202	160

19.4. Analysis of the amount that has been debited to net finance charges under FRS 102:

	2017 £'000	2016 £'000
Expected return on pension scheme assets	554	492
Interest on pension scheme liabilities	(814)	(778)
Total	(260)	(286)

Notes to the Financial Statements continued...

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

	2017 £'000	2016 £'000	2015 £'000
Actual return less expected return on pension scheme assets	1,604	(314)	814
Experience gains/(losses) arising on the scheme liabilities	1,893	120	111
Changes in the assumptions underlying the present value of the scheme liabilities	(2,707)	1,463	(5,522)
Total	790	1,269	(4,597)

19.6 History of Experience gains and losses

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Difference between actual and expected return on assets					
Amount	1,604	(314)	814	(49)	571
% of scheme assets	8.2%	(1.9%)	5.0%	(0.3%)	4.1%
Experience of gains and losses arising on liabilities					
Amount	1,893	120	111	(1,252)	145
% of scheme assets	9.7%	0.7%	0.7%	(8.6%)	1.1%

20. Commitments

Operating Leases

Amounts payable in total under operating leases with expiry dates:

Cumulative	Premises 2017 £'000	Premises 2016 £'000	Other 2017 £'000	Other 2016 £'000
Within one year	293	281	29	2
Between one and five years	1,212	1,202	58	-
Over five years	455	758	-	-
Total	1,960	2,241	87	2

The commitment above represents the rent and has been included up to the breakpoint at September 2023. These amounts are not discounted as it was considered not to be a material difference.

21. Reconciliation of net movement in funds to net cash flow from operating activities

Cumulative	Group Total 2017 £'000	Group Total 2016 £'000
Net Movements in funds	(65,209)	1,049
FRS 102 Pension Adjustment	(838)	(324)
Decrease/(Increase) in Current Asset Investments	19,512	(32,325)
(Increase)/Decrease in amount owing by DWP	(5)	6,241
Increase in authorised grants awaiting payment	5,309	664
Increase in PIP Provision	35,911	17,075
Increase in Dilapidations Provision	-	500
Depreciation	560	623
Gains on investments	(2,242)	(3,200)
Dividends and interest	(187)	(373)
Profit on sale of fixed assets	(9)	(6)
Increase in debtors	(2,045)	(538)
Increase in creditors	726	400
Net cash (used in)/provided by operating activities	(8,517)	(10,214)

22. 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 – Charitable Trusts and Foundations

We would like to thank all the charitable trusts and foundations that helped us to raise £148,000 towards our ongoing charitable work in 2016/17.

Anne and John Walters Charitable Trust
Baron Davenport's Charity
Bergne-Coupland Charity
Casa Stella Trust
D L M Charitable Trust
Daniel's and Houghton's Charity
DM Charitable Trust
Duchy of Lancaster Benevolent Fund
Dumbreck Charity
Ernest Hecht Charitable Foundation
Forteviot Charitable Trust
Fryerning Foundation
G M Morrison Charitable Trust
George and Grace Hart Trust Fund
Griffin Foundation Trust
Henry James Sayer Charity
Hugh & Mary Miller Bequest
Ivy Mary MacFie Deceased Charitable Fund
Jean S Innes Charitable Trust
John James Bristol Foundation
Johnson Group Cleaners Charity
Mainhouse Charitable Trust
Mellersh Charitable Trust
Michael Guest Charitable Foundation
Multithon Trust
Ogilvie Charities (Deed No 2)
Payne Gallwey Charitable Trust
PF Charitable Trust
Provincial Walsh Trust For Bolton
R H S Spurgin Charitable Trust
Raymond and Blanche Lawson Charitable Trust
Richard Cadbury Charitable Trust
Simon Digby Charitable Trust
Sir Edward Lewis Foundation
Susanna Peake Charitable Trust
The Allan Willett Foundation
The Andor Charitable Trust
The Anson Charitable Trust
The Ballinger Charitable Trust
The Barbara A Shuttleworth Memorial Trust
The Brian Mitchell Charitable Settlement
The Broughton Charitable Trust
The Camelia Trust
The Charles and Elsie Sykes Trust
The Cleary Foundation
The Constance Travis Charitable Trust
The Edward Harvist Trust
The Florence Turner Trust
The Fulmer Charitable Trust
The Ganzoni Charitable Trust
The Gray Trust
The H R Pratt Boorman Family Foundation
The Hamamelis Trust
The Hedley Denton Charitable Trust
The Helianthus Charitable Trust
The Heydown Trust
The Hopmarket Charity
The Ian Fleming Charitable Trust
The J P Jacobs Charitable Trust
The J R Corah Foundation Fund
The Jack Lane Charitable Trust
The Jane Hodge Foundation
The Jean and Leslie Connor Charitable Foundation
The John Coates Charitable Trust
The Judith Shrimpton Fund
The Julius Silman Charitable Trust
The Lake House Charitable Foundation
The Liebenrood Charitable Trust
The Lord Belstead Charitable Settlement
The Lord Faringdon Charitable Trust
The Madeley Trust
The Michael & Anna Wix Charitable Trust
The Mickel Fund
The Munro Charitable Trust
The Oakdale Trust
The Oldhurst Trust
The Peter Samuel Charitable Trust
The Pixiella Trust
The Poynton Foundation
The Privy Purse Charitable Trust
The Proven Family Trust
The R C Snelling Charitable Trust
The R S Brownless Charitable Trust
The Reginald and Ena Hill Foundation
The Rest-Harrow Trust
The Rose Adeane Trust
The Rothley Trust
The Row Fogo Charitable Trust
The Shelroy Charitable Trust
The Sherling Charitable Trust
The Steven Bloch Image of Disability Charitable Trust
The Strangward Charitable Trust
The Sylvia & Colin Shepherd Charitable Trust
The Thomas Curtis Charitable Trust
The Thomas Sivewright Catto Charitable Settlement
The Tory Family Foundation
The Vassiliou Charitable Trusts
The Weinstock Fund
The William and Christine Eynon Charity
The William Webster Charitable Trust
The Zochonis Charitable Trust
Three Monkeys Trust
Williams Brown Hill Charitable Incorporated Organisation

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