

REPORT TO: Audit and Governance Committee

MEETING DATE: 17 September 2019

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Annual Accounts 2018-19

1 PURPOSE

- 1.1 To provide the Committee with an update on the main changes arising during the audit of the draft financial statements, and to ask the Committee to approve the now audited accounts for 2018-19.

2 RECOMMENDATIONS

- 2.1 Members are recommended to:
- i. Note the main changes arising during the course of the audit.
 - ii. Approve the 2018-19 audited accounts for the Council and its group components.

3 BACKGROUND

- 3.1 The Council's draft financial accounts for 2018-19 were considered by Council on 27 June 2019, and formally submitted to Audit Scotland prior to the statutory deadline of 30 June 2019. The audit commenced early July 2019 and was completed mid-September.
- 3.2 In accordance with statutory requirements, the draft accounts were made available for public inspection for a 3 week period commencing 1 July 2019. No objections were received during this period.
- 3.3 East Lothian Council's statutory accounts includes the financial results for both the Council and its group components. The audited financial accounts are set out in Appendix 1, and include an independent audit opinion on the financial statements, and as also highlighted in the auditor's draft annual audit report, I am pleased to report that an unqualified audit opinion has

been presented signalling that the financial statements presented represent:

- A true and fair view of the affairs of the Council and the wider Group;
- Have been properly prepared in accordance with respective accounting standards.

3.4 In addition to the Council's financial statements, Audit Scotland also provide an audit opinion of the Dr Bruce Trust which is administered by the Council. The final audited accounts are included within Appendix 2, of this report for Members information, and an unqualified audit opinion has been issued.

Main changes to Unaudited Financial Position

3.5 During the course of the audit there were a number of proposed changes to the accounts, the most significant of these are set out below.

- The final accounts include changes relating to updated Pension results which we receive from Lothian Pension Fund, relating to a Supreme Court ruling relating to age discrimination (referred to as McCloud ruling). In addition, and alongside this, the ruling also impacted on the liability relating to the guaranteed minimum pension (GMP). The impact of the adjustment was to increase the employer's liability by £9.4 million and the guaranteed minimum pension by £1.4 million (£10.8 million in total) with a corresponding increase to the pension reserve.
- An adjustment was made to the depreciation charge reflected to the accounts amounting to £1.6 million.
- A movement in the Comprehensive Income and Expenditure account from Health & Social Care Partnership to Resources and People of £1.2 million – which had a neutral impact overall.
- An adjustment of £20 million in the cash flow statement relating to classification of PWLB borrowing. This had a neutral impact overall.
- An adjustment to the Common Good account relating to finance leases and property, plant and equipment additions. This amounted to an increase in Common Good assets of £254,000.

3.6 Whilst overall there have been a number of presentational issues to the draft accounts, the key results which were presented to Council in June 2019 have been maintained and there has been no impact on the usable reserves position which remains at £25.5 million (General Fund including Insurance Fund - £19.432 million and HRA £6.068 million).

3.7 In line with statutory guidance, following approval of the annual accounts by those charged with governance, the 2018-19 accounts will be formally signed by the Council (Chief Executive, Council Leader and Chief Finance Officer) as well as Audit Scotland prior to the statutory deadline of 30 September 2019, and will be placed on the Council's website.

4 POLICY IMPLICATIONS

4.1 There are no direct policy implications associated with this report.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment.

6 RESOURCE IMPLICATIONS

6.1 Financial – as described above

6.2 Personnel - none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 Council 25 June 2019 –2018-19 End of Year Financial Review

Author's Name	Sarah Fortune
DESIGNATION	Chief Operating Officer Finance
CONTACT INFO	sfortune@eastlothian.gov.uk
DATE	9 September 2019

This document has been circulated separately.

DR BRUCE FUND
FINANCIAL STATEMENTS
31 March 2019

Charity Number SC019149

DR BRUCE FUND
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2019

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DR BRUCE FUND

Members of the Board and professional advisers

Registered Charity Name	Dr Bruce Fund
Charity Number	SC019149
Trustees	Councillor Stuart Currie Councillor Andrew Forrest Councillor Katie Mackie Councillor John Williamson
Address of Principal Office	John Muir House Haddington East Lothian EH41 3HA
Auditor	G Woolman MA FCA CPFA Audit Director Audit Scotland 102 West Port Edinburgh EH3 9DH
Investment Advisers	Investec Wealth & Investment Limited 2 Gresham Street London EC2V 7QN

DR BRUCE FUND

Trustees' Annual Report Year Ended 31 March 2019

The trustees present their report and the financial statements of the charity for the year ended 31 March 2019.

Reference and administrative details are shown in the schedule of members of the board and professional advisers on page 1 of the financial statements.

OBJECTIVES AND ACTIVITIES

The objective of the trust is to provide for the relief of the poor of Musselburgh.

The Trust furthers its charitable purposes through its grant-making policy, which aims to alleviate the suffering of those in poverty in the Musselburgh area, particularly during Christmas.

GRANT MAKING POLICY

The Trust seeks to alleviate poverty in the Musselburgh area by providing grants during more financially pressing times of the year, especially around Christmas time. The Trust maintains a list of recipients who have been nominated by the Trustees to receive an award.

Each year, the Trustees meet and consider the provision of small grants to nominated residents of the town.

REVIEW OF ACHIEVEMENTS AND PERFORMANCE

During the year 2018/19 the trust made two awards totalling £60 (2017/18: £60)

FINANCIAL REVIEW

The investment portfolio from which the trust is allocated a proportion of assets, income, and expenditure performed reasonably well in the year. The market value of the portfolio increased to £3.39m at 31st March 2019, and the income earned by the portfolio increased by 8.7% in the same period. Overall, the portfolio performed slightly better than the market benchmark, mainly as a result of a higher weighting in both UK and overseas equities.

Full details of the trust's financial transactions during the year ended 31st March 2019 are shown on the attached financial statements.

The trust incurred operational expenditure of £1,146, against income of £1,446. Together with gains on investment assets of £382, this resulted in a transfer of funds to reserves of £682. At March 2019, the trust had unrestricted funds of £10,808.

Dr Bruce Fund does not have a formal reserves policy. However, the trustees' objectives are to maintain the value of its reserves, and to attempt not to incur costs greater than the value of its annual income.

PLANS FOR FUTURE PERIODS

The trustees intend to continue to make annual awards as funds allow. There is an ongoing review of all the small trusts administered by East Lothian Council, and in the future there may be proposals to amalgamate smaller trusts which can then be promoted more widely.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Dr Bruce Fund was established under the provision in the will of Charles Key Bruce, dated 19th December 1826. A bequest was set up to provide relief for the poor of Musselburgh. The executors of Dr Bruce's will declined to act and his estate was placed in the management of the High Court of Chancery. In 1832, an arrangement was made where two magistrates of Musselburgh, the minister of the parish of Inveresk, and the sheriff of the county of Edinburgh were appointed as a local committee to administer the fund.

Following local government reorganisation in 1973, the trust came under the administration of East Lothian District Council and later, East Lothian Council. Since that time, the elected councillors for Musselburgh have acted in a decision-making capacity for the trust.

Dr Bruce Fund has no employees. The trustees are supported in the discharge of their responsibilities by finance and support staff within East Lothian Council. The trust does not have its own bank account, and all financial transactions are carried out through the bank accounts of East Lothian Council.

There are no related party transactions in the accounts for Dr Bruce Fund.

East Lothian Council maintains a shared portfolio of assets for a number of trusts and bequests which it administers. The portfolio, which is known as "East Lothian Council Charitable Funds" is managed by an external investment management company (currently Investec Wealth and Investment). Each financial year, all of the trusts are allocated a proportion of the assets, income, and expenditure of the total portfolio in accordance with their investment.

The trust's major risks have been identified as the ability to meet financial demands on its funds and the potential loss of the value of its investment assets. Both of these risks are managed by taking financial advice from East Lothian Council staff and investment advice from its investment management advisers.

THE TRUSTEES

The trustees who served the charity during the period were the elected councillors for Musselburgh. These were:

Stuart Currie

Andrew Forrest

Katie Mackie

John Williamson

Signed on behalf of the trustees:

A handwritten signature in black ink, appearing to read 'Stuart Currie', written over a horizontal line.

Councillor Stuart Currie

Chair of Trust

John Muir House

Haddington

East Lothian

05 September 2019

DR BRUCE FUND

Statement of Trustees' responsibilities in respect of the Trustees' annual report and the financial statements

The charity trustees are responsible for preparing a trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable 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 business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 (as amended), and the provisions of the Trust deed. They are also responsible for safeguarding the assets of the charity and taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the trustees on 05 September 2019 and signed on their behalf by:



Councillor S Currie

Chair of Trust

Independent auditor's report to the trustees of the Dr Bruce Fund and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the Dr Bruce Fund for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Dr Bruce Fund as at 31 March 2019 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

September 2019

Gillian Woolman is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

DR BRUCE FUND

Statement of Financial Activities

For the year ended 31 March 2019

	Note	Total Funds 2018/19 £	Total Funds 2017/18 £
Income From			
Donated services	2	1,000	1,000
Income from Investments	3	446	395
Total Income and Endowments		1,446	1,395
Expenditure On			
Management Fees	4	(86)	(87)
Charitable Activities	5	(60)	(60)
Audit Fees	2	(1,000)	(1,000)
Total Expenditure		(1,146)	(1,147)
Net Income		300	248
Net (Losses)/Gains on investments		382	67
Net Movement In Funds		682	315
Reconciliation Of Funds			
Total funds brought forward		17,678	17,363
Total Funds carried forward		18,360	17,678

The Statement of Financial Activities includes all gains and losses in the year and therefore a statement of total recognised gains and losses has not been prepared.

All of the above amounts relate to continuing activities.

DR BRUCE FUND

Balance Sheet

As at 31 March 2019

	Note	2018/19 £	2017/18 £
FIXED ASSETS			
Investments	7	12,291	12,012
CURRENT ASSETS			
Debtors	8	6,069	5,666
TOTAL NET ASSETS		<u>18,360</u>	<u>17,678</u>
THE FUNDS OF THE CHARITY			
Investments Revaluation Reserve		(7,552)	(7,292)
Unrestricted funds	9	(10,808)	(10,386)
TOTAL CHARITY FUNDS		<u>(18,360)</u>	<u>(17,678)</u>

These financial statements were approved by the members of the committee and authorised for issue on 05 September 2019 and are signed on their behalf by:



Councillor Stuart Currie
Chair of Trust
John Muir House
Haddington

Date: 05 September 2019

DR BRUCE FUND

Notes to the Financial Statements

Year ended 31 March 2019

1 ACCOUNTING POLICIES

Dr Bruce Fund (the "Charity") is an unincorporated charity and domiciled in the UK.

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)) and the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities and Trustee Investment (Scotland) Act 2005 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities Accounts (Scotland) Regulations 2006 (as amended) only to the extent required to provide a 'true and fair' view. This departure has involved following the Charities SORP (FRS 102) issued on 16 July 2014 rather than the preceding Charities SORP (SORP 2005) which was effective from 1 April 2005 and has since been withdrawn.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

In the transition to FRS 102 from old UK GAAP, the Charity has made no measurement and recognition adjustments.

The Charity's parent undertaking, East Lothian Council, includes the Charity in its consolidated financial statements. The consolidated financial statements of East Lothian Council are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from John Muir House, Haddington, East Lothian EH41 3HA. In these financial statements, the charity is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

Cash Flow Statement and related notes

As the consolidated financial statements of East Lothian Council include the equivalent disclosures, the Charity has also taken the exemptions under FRS 102 available in respect of the following disclosures:

The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the statement of financial activities.

1.2 Going Concern

The Trustees consider Dr Bruce Fund to be a going concern as there are appropriate funds to continue meeting its charitable activities

1.3 Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through the statement of financial activities. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in the statement of financial activities. Other investments are measured at cost less impairment in the statement of financial activities.

1.4 Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include designated funds where the trustees, at their discretion, have created a fund for a specific purpose. All funds of the trust are unrestricted.

1.5 Income Recognition

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received, and the amount of income receivable can be measured reliably.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

1.6 Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses, including support costs and governance costs, are allocated or apportioned to the applicable expenditure headings in the statement of financial activities. For more information on this allocation refer to note 5 below.

Grants payable are payments made to third parties in the furtherance of the charitable objects of the Charity. In the case of an unconditional grant offer this is accrued once the recipient has been notified of the grant award. The notification gives the recipient a reasonable expectation that they will receive the one year or multi-year grant. Grants awards that are subject to the recipient fulfilling performance conditions are only accrued when the recipient has been notified of the grant and any remaining unfulfilled conditions attaching to that grant are outside of the control of the Charity.

1.7 Governance costs

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. Governance costs are included within charitable activities.

2 INCOME FROM DONATIONS

For 2018/19, the external annual audit fee was a donated service of £1,000 from East Lothian Council.

DR BRUCE FUND

Notes to the Financial Statements

Year ended 31 March 2019

3 INVESTMENT INCOME

	Unrestricted Funds 2018/19	Unrestricted Funds 2017/18
	£	£
Dividends - equities	391	360
Interest on cash deposits	55	35
Income from Disposal of Investment	-	-
	446	395

4 INVESTMENT MANAGEMENT COSTS

	Unrestricted Funds 2018/19	Unrestricted Funds 2017/18
	£	£
Investment and ELC management fees	86	87

5 COSTS OF CHARITABLE ACTIVITIES

	Grant Funding activities 2018/19	Grant Funding activities 2017/18
	£	£
Grants of £30 made to 2 individuals	60	60
Accountancy Fees	-	-
	60	60

6 STAFF COSTS AND EMOLUMENTS

Key management personnel received no employee benefits for their services to the charity.

7 INVESTMENTS

Movement in market value

	2018/19	2017/18
	£	£
Market value at 1 April 2018	12,012	12,058
Additions/(Disposals) at cost	19	351
Net (loss)/gain on revaluation	260	(397)
Market value at 31 March 2019	<u>12,291</u>	<u>12,012</u>

	Total Funds 2018/19	Total Funds 2017/18
	£	£
Investments at fair value comprised:		
Quoted shares	<u>12,291</u>	<u>12,012</u>

8 DEBTORS

	2018/19	2017/18
	£	£
Other Debtors	<u>6,069</u>	<u>5,666</u>

ANALYSIS OF 9 CHARITABLE FUNDS

	Balance at 1st April 2018	Income	Expenditure	Gains and (Losses)	Balance at 31st March 2019
	£	£	£	£	£
Revaluation Reserve	7,292	0	0	260	7,552
General Funds	10,386	1,446	(1,146)	122	10,808
Total	<u>17,678</u>	<u>1,446</u>	<u>(1,146)</u>	<u>382</u>	<u>18,360</u>

