

ROBERT & WILLIAM STRANG MORTIFICATION

**TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

REGISTERED CHARITY NUMBER SC018687

Robert & William Strang Mortification

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Trustees' Annual Report

1. INTRODUCTION

The Trustees present the annual report together with the financial statements for the financial year ended 31 March 2018.

ADMINISTRATION INFORMATION

Charity Name	Robert & William Strang Mortification
Charity Number	SC018687
Principal / Contact Address	Angus Council Corporate Finance Angus House Orchardbank Business Park Forfar Angus DD8 1AF
Trustees	<u>Trustees for the period of Annual Report</u> Councillor Colin Brown Councillor Braden Davy Councillor Lynne Devine Councillor Ian McLaren
Auditor	Rachel Browne Senior Audit Manager Audit Scotland 4 th Floor, 102 West Port Edinburgh EH3 9DN
Investment Managers	Investec Wealth & Investment 15 Lauriston Place Edinburgh EH3 9EN

2. STRUCTURE AND GOVERNANCE

The Robert & William Strang Mortification is registered with the Office of the Scottish Charity Regulator (OSCR).

The charity is governed by a deed of trust, disposed and conveyed by the Magistrates of the Burgh of Forfar, dated February 1873 and recorded in the Register of the Burgh of Forfar in February 1874. The charity is administered in line with the terms of the original bequest which was made in 1651 and enshrined within the deed of trust.

The trustees for the charity are the members of Angus Council for Ward 3 within the Angus Council local authority area. The trustees were appointed on 15 May 2017 by a vote taken by Angus Council at its statutory meeting following local government elections.

The Service Leader - Legal & Democratic (Place) is the designated officer within Angus Council with responsibility for the proper administration of the charity. The Head of Finance & Legal is the designated officer within Angus Council with responsibility for the proper administration of the charity's financial affairs, including the maintenance of proper accounting records and ensuring that the financial statements comply with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

3. MANAGEMENT OF FUNDS AND INVESTMENT POLICY

Decisions regarding the operation and management of the charity are taken by the Trustees on the basis of simple majority.

The Trustees approved the charity's investment policy and have delegated authority for the management of investments and cash reserves to Angus Council's Head of Finance & Legal (Place).

Some of the charity's cash is deposited with Angus Council's Loans Fund, however the funds of the charity are largely held in various investment instruments managed by an external investment manager in conjunction with Angus Council's Head of Finance & Legal.

4. RESERVES POLICY

The charity has no specific policy on the level of reserves that should be held, but does have an informal policy of only utilising capital balances in exceptional circumstances.

5. CHARITABLE PURPOSE AND ACTIVITIES

The purpose of the charity as set out within the deed of trust is to provide assistance and benefit to the poor of the Burgh of Forfar.

Income is received from investment returns and is expended on awards and operational costs, and where necessary the income is supplemented by revenue balances.

The charity awards heating grants after consideration of applications, particularly from individuals in receipt of benefits. The charity also supports the poor of the burgh through the award of miscellaneous grants to assist with such things as property repairs or replacement of appliances where hardship is demonstrated. These grants are awarded following receipt of an application form which is submitted to the Trustees to be considered for cash support. The Trustees have sole discretion to approve applications and award support, subject to sufficient revenue funds being available.

6. ACHIEVEMENTS AND PERFORMANCE

During the year to 31 March 2018, 171 awards amounting to £20,157 were made covering: heating grants; property repairs; and other miscellaneous purposes.

7. PLANS FOR THE FUTURE

The charity plans to continue to manage its resources to provide grants to those in need in the Forfar area who meet the charity's eligibility criteria.

8. FINANCIAL OVERVIEW

In the financial year to 31 March 2018, the charity received investment income of £60,518, made awards totalling £20,157 and incurred operating costs totalling £18,055 resulting in a surplus of £22,306 in respect of unrestricted funds.

At 31 March 2018 the charity held investments totalling £1,189,968 and cash and bank balances totalling £256,501.

The value of investments decreased in value in 2017/18 by £59,698 from £1,249,666 to £1,189,968. UK Equities and Overseas Fixed Interest Investments decreased in value by £142,068 and £612

respectively whilst UK Fixed Interest, Non-UK Equities and Property Funds/Alternative Assets Investments increased by £8,119, £71,700 and £3,163 respectively.

9. STATEMENT OF THE TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The trustees are responsible for preparing the Trustees' 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 Scotland requires the trustees to prepare financial statements for each financial year in accordance with the Charities Accounts (Scotland) Regulations 2006 (as amended). In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- keep adequate accounting records which are up to date
- take reasonable steps to ensure the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to the auditor

In so far as the trustees are aware:

- there is no relevant information of which the auditor is unaware, and
- the trustees have taken all the steps they ought to have taken to make themselves aware of all relevant audit information, and to establish that the auditor is aware of the information.

10. DECLARATION

This report was approved by the Trustees on 27th September 2018 and signed on their behalf by:

Ian Lorimer CPFA Head of Finance & Legal Angus Council	Councillor Colin Brown Trustee

Independent auditor's report to the trustees of Robert & William Strang Mortification and the Accounts Commission

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 approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 Robert & William Strang Mortification for the year ended 31 March 2018 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 Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2018 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) 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)). 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.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, 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.

Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve 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 Accounts (Scotland) Regulations 2006.

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.

Rachel Browne
Senior Audit Manager
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN
27th September 2018

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

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

The statement of receipts and payments as required by the Charities Accounts (Scotland) Regulations 2006 (as amended), provides an analysis of the incoming and outgoing cash and bank transactions for the year.

The charity meets its operating costs from the distributable income generated during the financial year.

	Note	Unrestricted Funds 2017/18 £	Expendable Endowment Funds 2017/18 £	Total Funds 2017/18 £	Total Funds 2016/17 £
RECEIPTS					
Investment Income	4	53,875		53,875	47,251
Unit Trust Interest	4	1,000		1,000	2,117
Bank Interest	4	5,643		5,643	8,063
Sale of Investments			213,355	213,355	86,569
Total Receipts		60,518	213,355	273,873	144,000
PAYMENTS					
Investment Management	8	4,267		4,267	4,069
Charitable Activities – Grants / Donations	5	20,157		20,157	22,614
Audit Fee	9	0		0	0
Finance Support	7	4,383		4,383	3,338
Administration Support	7	9,405		9,405	7,162
Other Expenses		0		0	733
Purchase of Investments			187,736	187,736	75,414
Total Payments		38,212	187,736	225,948	113,330
Net Receipts / (Payments)		22,306	25,619	47,925	30,670

STATEMENT OF BALANCES AS AT 31 MARCH 2018

The statement of balances as required by the Charities Accounts (Scotland) Regulations 2006 (as amended), reconciles the cash and bank balances at the start and end of the financial year, with any surpluses / (deficits) shown in the Statement of Receipts and Payments. The notes on pages 9 to 10 form part of these financial statements. Note that this is not a balance sheet.

The Statement of Balances also shows the final closing balances at the end of the year.

	Note	Unrestricted Funds 2017/18 £	Expendable Endowment Funds 2017/18 £	Total Funds 2017/18 £	Total Funds 2016/17 £
CASH AND BANK IN HAND	7				
Opening Balance		48,485	160,091	208,576	177,906
Surplus / (Deficit) for Year		22,306	25,619	47,925	30,670
Closing Balance		70,791	185,710	256,501	208,576

	Note	Narrower Range 2017/18 £	Wider Range 2017/18 £	Total Investments 2017/18 £	Total Investments 2016/17 £
INVESTMENTS					
UK Fixed Interest		347,643	168,384	516,027	507,908
UK Equities		0	312,305	312,305	454,373
Overseas Fixed Interest		22,446	0	22,446	23,058
Non-UK Equities		0	241,159	241,159	169,459
Property Funds & Alternative Assets		0	98,031	98,031	94,868
Total Investments		370,089	819,879	1,189,968	1,249,666

There were no liabilities payable by R&W Strang Mortification to 31st March 2018.

This report was approved by the Trustees on 27th September 2018 and signed on their behalf by:

Ian Lorimer CPFA Head of Finance & Legal Angus Council	Councillor Colin Brown Trustee

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Basis of Accounting

The Financial statements have been prepared on a receipts and payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Note 2: Accounting Policies

Cash and Bank Balances

During the year the majority of the charity's cash was held by Angus Council, which manages the administration of the funds on the charity's behalf. The Council also acts as banker for the charity and all incoming and outgoing transactions are made via the Council's accounting and banking systems. This cash is repayable on demand and interest is payable on the balance held.

An element of cash is however held by the investment manager to effect investment transactions at the direction of the Council's Head of Finance & Legal. The split of the total cash held at 31 March 2018 is detailed in Note 7 along with the split as at 31 March 2017 for comparative purposes.

Taxation

The charity is not liable to pay tax on its income if it is used for charitable purposes. This exemption covers tax on investment income eg. bank interest and profits from the sale or disposal on assets such as shares. Irrecoverable VAT is included in the expense to which it relates.

Investments

Investments are shown at market value as at 31 March 2018 as provided in a report by the investment manager, Investec.

Investments are held by the external investment manager and are managed as 2 distinct portfolios to balance the risk profile of the investments.

The narrower range portfolio is presently restricted to Government Stocks and sterling denominated Corporate Bonds / Funds. The investment objective of this portfolio is generation of income with low capacity for risk.

The Wider Range portfolio allows greater freedom of investment across direct equities and collectives. The investment objective of this portfolio is a balanced return from income and capital appreciation with a medium attitude to risk.

The asset split between the two Portfolios should ideally be around 40% / 60% (Narrower / Wider respectively) and this balance is maintained as far as reasonable with the Narrower Range comprising 30% as a minimum.

Note 3: Nature and Purpose of Funds

The expendable endowment fund is the charity's capital account, held in both cash and investments. Trustees are not prohibited from expending these funds, however the Trustees operate an informal policy of retaining these funds to generate distributable income and only expending these funds in exceptional circumstances.

The unrestricted funds are the charity's revenue account, held in cash, and are available in their entirety to meet the charity's objectives.

NOTES TO THE FINANCIAL STATEMENTS (continued)**Note 4: Income**

Income of £54,875 was received from the investment portfolios and £5,643 was received from Angus Council in respect of cash deposited with the Council's Loans Fund.

Note 5: Grant Awards

During the year to 31 March 2018 total grants amounting to £20,157 were awarded. The following awards were made:

Heating Grants

149 heating grant applications were approved by the Trustees, each for the value of £100. The total net amount of heating grants awarded in year was £14,360.

Direct Grants For Property Repairs

19 amounts totalling £2,657 were awarded to qualifying individuals for various property repairs.

Miscellaneous Grant

3 amount totalling £3,140 was awarded to local organisation for various approved purposes.

Note 6: Trustee Remuneration and Expenses

No remuneration or expenses were paid to the Trustees or any connected persons during the year.

Note 7: Related Party Transactions

The charity was charged £13,788 by Angus Council in respect of Finance £4,383 (16/17 £3,338) and Administration support £9,405 (16/17 £7,162). This reflects additional work required during the year including one-off work on the management of investments to comply with regulatory requirements.

Cash and Bank Balances:-

	Cash Held at 31 March 2018 £	Cash Held at 31 March 2017 £
Angus Council	219,695	193,121
Investment Manager	36,806	15,455
Total Cash	256,501	208,576

Note 8: Management Fees

The investment management fees relating to financial year 2017/18 were £4,267 and were borne by the charity. The investment management fees relating to financial year 2016/17 were £4,069 and were also borne by the charity.

Note 9: Audit Fees

The audit fee for 2017/18 was £3,000 (2016/17 £1,500). The Council has agreed to bear the cost of the audit fee.