

 **BANK OF SCOTLAND**  
**Foundation**

Annual Report and Financial  
Statements for the  
year  
ended 31 December 2023

A Company Limited by Guarantee Registered in Scotland Number SC229825  
Scottish Charity Number SC032942

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## Review of 2023 by the Chair

This was another difficult year for charities as the cost-of-living crisis continued to have a significant impact across the country. With a growing number of people struggling to make ends meet, charities saw a sharp rise in demand for their services, with more complex cases and multiple difficulties. Charities themselves faced their own challenges as rising costs and reducing income created a tough environment. Thanks to our sole funder, Lloyds Banking Group, 188 charities across Scotland received grants from the Foundation totaling £3,443,016 in 2023, providing them with stability during these testing times.

This year's Invest programme enabled charities to apply for between £10,000 - £50,000 per year over 2-5 years, for project costs, core costs or capital costs, helping to alleviate some of their financial concerns. In May, ten Scottish charities were awarded a share of £1,036,551 over the next 3-5 years, enabling them to continue their vital work in tackling disadvantage or social exclusion and supporting some of those most in need, including: the elderly; young carers; victims of domestic abuse; people living with disabilities; people living in debt; and those with mental health issues.

Our Reach programme distributed £1,504,847 amongst 91 charities this year, helping make positive and lasting change in communities and supporting people through varying stages of their lives. The awards from June's Reach tranche were the final awards from our current grant programmes and marked an important milestone as we prepared to launch our new strategy in early 2024.

Our Matched Giving programme continues to thrive with 1,050 employee claims received totaling £401,087 for 347 charities in 2023. This programme, which matches the fundraising and volunteering activities of the Group's employees, ensures our funding reaches charities at a grass-roots level across Scotland, creating a lasting positive impact in local communities.

Our Enhance Charity Mentoring Programme also continues to be instrumental in fostering meaningful connections between Foundation-funded charities and Lloyds Banking Group employees. Through this programme 13 charities were matched with a mentor during 2023. Since the programme launched in 2018, 92 charities have been matched with an employee mentor, with some relationships having continued for almost three years.

As our current strategy drew to a close, our Trustees met to discuss the ways that we can help charities to become more secure and resilient during these difficult times. Whilst our new strategy launched January 2024, our Trustees were committed to supporting our current grantees recognising that multi-year funding is also critical to their long-term sustainability. Therefore, in November, our Trustees agreed that all 178 of our current grantees should be offered a share of almost £2,500,000 enabling them to continue to support challenges such as homelessness, addiction, domestic abuse, and family breakdown.

Of these current grantees, 119 with live grants from our one-year Reach grant programme were offered a full second year of funding, while the 59 charities with live multi-year Invest and Change grants were offered a 15% uplift of their annual grant amount.

## Review of 2023 by the chair (continued)

We were immensely proud to be the first Scottish funder to offer a second year of funding without the need for an application form and the response from charities was overwhelmingly positive.

By providing these additional payments, the Foundation is playing a vital role in strengthening Scotland's charity sector and ensuring that crucial services continue to be available to those who need them most.

As we look ahead to our new strategy, "Building a Brighter Future for Scotland", the needs and aspirations of vulnerable people will drive our work as we aim to fund, support and champion the small and local charities that work to improve their quality of life. The introduction of more multi-year and unrestricted funding will provide these charities with stability and certainty enabling them to use their grants in the way that helps them best.

In addition to funding from the Group, we are excited to be collaborating with the Group and engaging employee volunteers through our Enable grants programme. We know that Scotland's charities already have some impactful volunteering projects taking place and we look forward to boosting community volunteering even more in some of Scotland's most disadvantaged communities.

Of course, our work would not be possible without the support of Lloyds Banking Group and their annual donation, for which we are extremely grateful. Their annual donation for 2024 is £6,859,192, (received in February 2024) a 43% increase on our 2023 donation which will enable us to tailor our new strategy and grants programmes to maximise our impact.

It's a real honour to hold the role of Chair during such a pivotal moment of the Foundation's history. The team have worked through some of the most challenging years the Third Sector has faced and myself and my fellow Board members are extremely grateful for their huge efforts.

I look forward to the start of our exciting next chapter as we strive to make an even greater difference and build a brighter future for Scotland.

Donald MacKechnie  
Chair



17 May 2024

## Reference and Administrative Information

The names of the Trustees of the Bank of Scotland Foundation who were in office during the year and up to the date of signing the financial statements were:

Donald MacKechnie (Chair)  
Jon Alexander  
Laura Armstrong  
Graham Blair  
Jackie Leiper  
Alison Macdonald  
Kenneth Macintosh  
Julianne Reddin  
Graeme Thompson  
Karen Watt

**Company Secretary:** Lindsays LLP  
100 Queen Street  
Glasgow  
G1 3DN

**Bankers:** Bank of Scotland plc  
The Mound  
Edinburgh  
EH1 1YZ

**Legal Advisors:** Lindsays LLP  
Caledonian Exchange  
19a Canning Street  
Edinburgh  
EH3 8HE

**Independent Auditor:** Deloitte LLP  
Abbots House  
Abbey Street  
Reading  
RG1 3BD

**Registered Office:** The Mound  
Edinburgh  
EH1 1YZ

**Registered Company No:** SC229825 (Company limited by guarantee)

**Scottish Charity No:** SC032942

# **Trustees' Report**

## **Structure, Governance and Management**

### **Incorporation**

Bank of Scotland Foundation ("the Foundation") was incorporated in Scotland on 2 April 2002 as a company limited by guarantee and is registered as a charity. The Foundation is the focal point of charitable donations within Scotland of Lloyds Banking Group plc (the "Group"). The registration details of the Foundation have been included within Reference and Administrative Information.

### **Organisation**

A Board of Trustees govern the Foundation, with Donald MacKechnie as Chair. The day-to-day operations of the Foundation are delegated to Jillian Baillie, Chief Executive of the Foundation, and her team. The Chief Executive of the Foundation reports to Karen Tighe, Head of Community Engagement who reports into Chris Turner, Director of Reputation and Community Engagement of the Group.

The Trustees generally meet quarterly, the meetings are chaired by Donald MacKechnie and are formally minuted. At each meeting of the Foundation, the Trustees determine overall policy, review all donations made since the previous meeting, note financial reports, review the budget position, and decide on all grants which are submitted for approval.

The Trustees have a Trustee Recruitment Policy, and all Trustees are recruited and appointed in line with this policy.

The Trustees have an agreed Investment Policy and Reserves Policy.

### **Risk Policy**

The Trustees have examined the major strategic, business, financial and operational risks which the charity faces, and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen these risks.

The key financial risk is that the Foundation may not receive the annual donation from the Group. This is mitigated by the terms of the funding covenant which require that the Group provide a three-year notice period before all covenanted donations cease and the inclusion of a floor and ceiling in the covenant for the minimum and maximum amounts that can be donated to the Foundation.

The Trustees review the governance and activities of the Foundation each quarter through the detailed review of a risk matrix and risk register to ensure any risks are identified and that actions can be implemented to mitigate the risks in early course. The risks outlined in the register are reviewed and updated annually by the Trustees.

### **Objectives and Activities**

The Foundation is established for charitable purposes only and works with charitable organisations across Scotland, supporting people and their local communities. The Foundation is a Public benefit entity and meets the requirements for such entity.

## Trustees' Report (continued)

Foundation activities are centred on three key areas:

- Grant programmes - providing donations to charities across Scotland
- Mentoring programme - offering Foundation funded charities support, advice, and motivation through an employee mentor from the Group
- Matched Giving programme - providing Matched Giving for charities supported by Group employees in Scotland

The Foundation's main strategic objectives up to the end of 2023 were to:

- Focus its work and impact on charities that demonstrate they address social exclusion or disadvantage.
- Develop flexible, responsive grant making tailored to the needs of those supported.
- As a learning organisation, the Foundation will work to improve its impact and the quality of what it does and will provide best in class customer service.
- Realise the value of its strategic partnership with the Group.

### Achievements and Performance

Designed to fund, support and champion small and local charities that work to improve the lives of vulnerable people, the launch of the Foundation's five-year strategic plan "Building a Brighter Future for Scotland" saw the Foundation's existing grants programmes come to an end in 2023 and three new multi-year grants programmes launched to meet the needs of charities from 2024.

**Reach Grants** – this programme accepted applications for awards of between £1,000 and £25,000 from charities registered in Scotland that met the funding criteria of the Foundation and closed in June 2023.

The Reach Grants Programme awarded funding for charities with an income of £1m or less and the programme aimed to make positive and lasting change in communities across Scotland. In 2023 we distributed over £1,504,000 to 92 charities across Scotland.

The Reach Grants Programme continued to recognise the continuing impacts of Covid-19 and provided flexibility for charities whereby the grant period could be extended, or the grants awarded could be re-purposed.

**Invest Grants** – this programme accepted applications from charities with an annual income of £1m or less. Charities could apply for grants for core costs, capital costs or project costs of £10,000 to £50,000 each year for up to five years. This multi-year funding provided financial security to charities enabling them to continue to deliver vital services during a period of rising demand for services, rising core costs and reducing income.

In 2023, we distributed over £1,030,000 through this programme to 10 charities across Scotland. The programme provided funding to charities to help disadvantaged people across Scotland manage various issues, including domestic abuse, loneliness, food poverty, disabilities, mental health, and financial hardship.

## Trustees' Report (continued)

**Uplift Grants** – this programme for existing multi-year grantees was established in November 2023 in response to the increasing financial challenges that charities were facing due to the cost-of-living crisis. In total 59 current Invest and Change grantees were contacted and offered an uplift award of 15% of their annual grant value. This award could be used to continue to carry out the original purpose of their grant, or if this was not possible, as a contribution to their general running costs. Every charity accepted our offer, enabling over £354,000 to be distributed.

**Reach Grants Second Year Funding** – considering the ongoing challenging operating environment and the huge value of multi-year funding to charities, the Trustees agreed that the 119 Reach grant recipients from September 2022 to June 2023 should be offered a repeat second-year continuation grant. This amounted to over £2m to be distributed in 2023 and 2024. This is the first offer made by the Foundation of a second year of funding without an application and was hugely welcomed by the grant holders.

**Enhance Mentoring Programme** – This programme offers charities in receipt of a Foundation grant the opportunity to be matched with an employee mentor from the Group. Employees provide tailored business support to help strengthen charities enabling them to become more sustainable and meet their longer term aims, and employees often also acquire new skills and experience themselves throughout the mentoring journey.

As at 31 December 2023, 29 charities continue to be matched to a Group employee.

**Matched Giving** – charities supported by the fundraising and volunteering efforts of the Group's employees in Scotland shared over £401,000 in 2023. Our programme encourages employees to become involved in their community by providing Matched Giving of up to £1,000 per employee per year. In 2023, the Group's Charity of the Year, Crisis was awarded £58,473 from the Foundation as a result of 211 employee applications, with employees undertaking a variety of fundraising activities throughout the year including bake sales and city walks.

Overall, 1,050 applications were received for Matched Giving in 2023 and the top 10 charities who received funding were:

<b>Charity</b>	<b>Amount (£)</b>
Crisis UK (Lloyds Banking Group Charity of the Year)	58,473
Macmillan Cancer Support	20,496
Cancer Research UK	13,877
Musselburgh Windsor CFC	10,500
British Heart Foundation	7,509
Beatson Cancer Charity	7,369
Inverkeithing Hillfield Swifts	5,943
SIMBA	5,160
MND	4,870
Linlithgow Rose CFC	4,700



## Trustees' Report (continued)

### Funding and Investment

The Foundation is an independent registered charity and is funded solely by Lloyds Banking Group plc (the "Group").

The Foundation's funds are directed towards charitable donations with all its staff and office costs borne by the Group in 2023.

The Foundation has a funding covenant with the Group, where each year the Foundation receives 0.1946% of the Lloyds Banking Group's adjusted pre-tax profits averaged over the previous three Accounting Reference periods subject to a minimum amount of £3.9m, and a maximum amount of £9.73m. This funding covenant has been in place since February 2019.

### Financial Review

In 2023, the Foundation received a donation of £4,805,052, (2022: £3,972,403) from the Group under the terms of the funding covenant. In addition, staff costs of £415,308 (2022: £363,613) and audit fee of £9,861 (2022: £9,482) were borne by the Group.

In 2022 a further donation of £389,200 was received from the Group to recognise the effects of the cost-of-living crisis, this was not repeated in 2023.

During the year £3,844,103 (2022: £5,036,957) was awarded to charities working in Scotland via the Reach Grants Programme, Invest Grants Programme, Uplift Grants, Reach Grants Second Year Funding and Matched Giving Programme.

### Investment Policy

The Trustees adopt an investment policy that is prudent and practical. In general, Trustees are under a duty to obtain the best investment performance without undue risk to the investment funds. For the Foundation as it is funded by an annual donation from the Group, the key requirements are:

- Liquidity - there is a need to have funds available to distribute to the charitable projects agreed by the Trustees in accordance with project timetables.
- Convenient and Efficient Services - prompt and accurate advice and information about the financial statements and their management is required.
- Risk Aversion - the purpose of the Foundation is to contribute to charitable projects that meet the necessary funding criteria. The Foundation should prudently manage its funds and it would be therefore inappropriate to seek to invest money for capital growth or to adopt any strategy that would attract risk or impact adversely on the ability of the Trustees to achieve its objectives.

## **Trustees' Report (continued)**

### **Reserves Policy**

It is the policy of the Foundation to maximise charitable giving whilst maintaining unrestricted funds at such a level to allow the charity to fulfil its existing obligations. This policy is reviewed at least annually as part of the approval of the budget for the following year.

As at 31 December 2023 the Foundation held £2,562,407 (2022: £1,530,618) in unrestricted funds reserves (equal to total free reserves).

The Foundation holds free reserves to cover current programme funding commitments and 12 months' running costs at any one time. The current reserves will be used to fund future grants in line with the Foundation's Grants programmes as outlined in the Foundation's new Strategy "Building a Brighter Future for Scotland."

### **Going Concern**

The Trustees have considered the budget plans and financial outlook of Bank of Scotland Foundation for at least twelve months from the date of approval of these financial statements.

Based on the funding covenant in place with the Group and discussions with the Group, who also provide staff services, the Trustees have a reasonable expectation that the charity has adequate reserves to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of these financial statements. Accordingly, the Trustees continue to adopt the going concern basis in preparing the financial statements.

### **Appointment, Induction, and training of Trustees and Indemnity**

The Trustees (who are also directors of Bank of Scotland Foundation for the purposes of company law) who served during the year and up to the date of signing the financial statements are listed on page 5.

Each Trustee, except for Karen Watt, Julianne Reddin, Ken Macintosh, and Graeme Thompson, is an employee of the Group.

The Trustees may appoint additional Trustees provided that each such person has first been recommended for appointment in accordance with the Trustee Appointment Policy, which is implemented by the Nominations Committee for all Trustee recruitment and subsequent appointment. Trustees are appointed for an initial term of three years and may only hold office for a maximum period of six years, though in exceptional circumstances may be re-appointed for a third term of three years. Trustees appointed to the Foundation are Members of the company, and as such undertake to pay £1 to the Foundation's assets in event of the Foundation being wound up. Trustee indemnity is also included in note 1 to the Financial Statements.

New Trustees are given induction training and regular updates are provided to all Trustees on all matters relating to their role as Trustees.

## Trustees' Report (continued)

There is no maximum number of Trustees, but the minimum is three. Trustees may be paid expenses but may not be remunerated.

### Plans for Future Years

Following the launch of our new Strategy "Building a Brighter Future for Scotland" in January 2024, we will continue to award grants to charities working across Scotland through new Grant Programmes and provide Matched Giving to charities supported by the Group's employees. This is made possible only by the continuing support of the Group through its annual donation to the Foundation, which in February 2024 was £6,859,192 as part of its commitment to Helping Scotland Prosper.

The Trustees were pleased with the continuing success of the Foundation's Grants Programmes in 2023 and now look forward to embarking on a new five-year journey, as we strive to make an even greater difference and build a brighter future for Scotland.

### Independent auditor

Deloitte LLP have expressed their willingness to continue in office as auditor. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte will therefore continue in office.

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

The Trustees' Report was approved by the Board of Trustees and authorised for issue on 17 May 2024.

Signed on its behalf by



Donald MacKechnie – Chair  
Bank of Scotland Foundation  
17 May 2024

## **Statement of Trustees' responsibilities**

The Trustees (who are also directors of Bank of Scotland Foundation for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. The Trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, (United Kingdom Generally Accepted Accounting Practice) comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Account and Reporting by Charities (2019);
- make judgments and estimates that are reasonable and prudent;
- state that applicable UK Accounting Standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Statement of disclosure to auditors**

As far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

# **Independent auditors' report to the members and trustees of Bank of Scotland Foundation**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Bank of Scotland Foundation (the 'charitable company'):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2023 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

We have audited the financial statements, which comprise:

- the statement of financial activities (Incorporating an Income & Expenditure account);
- the balance sheet;
- the statement of cash flows; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Trustees**

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the Directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and report in accordance with those Acts and relevant regulations made or having effect thereunder.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the charitable company's industry and its control environment and reviewed the charitable company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and Trustees about their own identification and assessment of the risks of irregularities including those that are specific to the charitable company's business sector.

We obtained an understanding of the legal and regulatory framework that the charitable company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Charities Act and UK Companies Act; and
- did not have a direct effect on the financial statements but compliance with which may be fundamental to the charitable company's ability to operate or to avoid a material penalty. These included the Scottish Charity Regulator (OCSR) Regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our specific procedures performed to address it are described below:

- we identified a risk related to the correct recognition of liabilities in respect of multi-year grant expenditure. We have addressed this risk by selecting a sample of multi-year grants recognised in the year and reviewing the grant agreements, Board minutes, cash payments and related information to understand the purpose of the grant, and any

conditions present in order to ascertain the correct level of expenditure and related liability to recognise.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Trustees' report, which includes the Directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report included within the Trustees' report has been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report included within the Trustees' report.

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

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.



## Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charitable company's members and 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Helen Perkins CA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Reading, United Kingdom

17 May 2024

Deloitte LLP is eligible for appointment as auditor for the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

**STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income & Expenditure Account)**

**For the year ended 31 December 2023**

	Note	Unrestricted Funds 2023 £	Total 2023 £	Unrestricted Total 2022 £
<b>Income from:</b>				
Donations	4	5,230,221	5,230,221	4,734,698
Investments		210,710	210,710	9,342
<b>Total income</b>		<u>5,440,931</u>	<u>5,440,931</u>	<u>4,744,040</u>
<b>Expenditure on:</b>				
Charitable Activities	3	4,409,142	4,409,142	5,485,683
<b>Total expenditure</b>		<u>4,409,142</u>	<u>4,409,142</u>	<u>5,485,683</u>
<b>Net movement in funds / net (expenditure) for the year</b>		<u>1,031,789</u>	<u>1,031,789</u>	<u>(741,643)</u>
<b>Total funds brought forward</b>		<u>1,530,618</u>	<u>1,530,618</u>	<u>2,272,261</u>
<b>Total funds carried forward</b>		<u>2,562,407</u>	<u>2,562,407</u>	<u>1,530,618</u>

All activities are derived from continuing operations.

The fund balances brought forward and carried forward are unrestricted funds and are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity.

The notes on pages 21 to 28 form part of these financial statements.

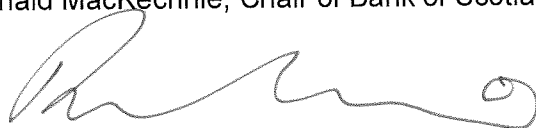
## BALANCE SHEET

As at 31 December 2023

	Note	2023 £	2022 £
<b>CURRENT ASSETS</b>			
Cash at Bank and in hand		5,459,547	4,066,096
<b>TOTAL CURRENT ASSETS</b>		<u>5,459,547</u>	<u>4,066,096</u>
Creditors: amounts falling due within one year	6	<u>(1,884,743)</u>	<u>(1,480,829)</u>
<b>NET CURRENT ASSETS/Total assets less current liabilities</b>		<u>3,574,804</u>	<u>2,585,267</u>
Creditors: amounts falling due after one year	7	<u>(1,012,397)</u>	<u>(1,054,649)</u>
<b>TOTAL NET ASSETS</b>		<u>2,562,407</u>	<u>1,530,618</u>
<b>The funds of the charity:</b>			
Unrestricted Funds		2,562,407	1,530,618
<b>Total Charity Funds</b>		<u>2,562,407</u>	<u>1,530,618</u>

The financial statements were approved by the Board of Trustees on 17 May 2024 and signed on its behalf by:

Donald MacKechnie, Chair of Bank of Scotland Foundation



Alison Macdonald, Trustee of Bank of Scotland Foundation



The notes on pages 21 to 28 form part of these financial statements.

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 £	2022 £
<b>Reconciliation of net income/ (expenditure) to cash generated by/ (used in) operations</b>		
Net income/(expenditure) for the year	1,031,789	(741,643)
Interest from investments	(210,710)	(9,342)
Increase in creditors	361,662	329,760
<b>Net cash flows generated by/ (used in) operating activities</b>	1,182,741	(421,225)
<b>Cash flows from investing activities:</b>		
Interest from investments	210,710	9,342
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,393,451	(411,883)

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the year ended 31 December 2022

	2023 £	2022 £
Net Cash inflow/ (outflow) during the year	1,393,451	(411,883)
Net funds at 1 January	4,066,096	4,477,979
Net funds at 31 December	5,459,547	4,066,096

There were no cash equivalents at 31 December 2023 (2022: none)

The notes on pages 21 to 28 form part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2023

### 1. Company and Charitable Status

Bank of Scotland Foundation ("the Foundation") is a charitable company limited by guarantee incorporated in Scotland and does not have any share capital. Its registered office is, The Mound, Edinburgh, EH1 1YZ. The liability of the members is limited by the Articles of Association to £1 each. At 31 December 2023 there were ten Trustees each of whom was a Director and member of the company. The Foundation is a registered charity.

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. For those Directors who are employees of Lloyds Banking Group plc the indemnity is in the form of a Lloyds Banking Group plc Directors and Officers Insurance Policy which was in force throughout the last financial year and is currently in force. For the remaining Directors, the indemnity is in the form of a separate policy taken out by the Foundation and which is currently in force.

### 2. Accounting Policies

The financial statements of the Foundation have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the Charities Statement of Recommended Practice (SORP second edition – October 2019), and the Companies Act 2006. The functional currency is in pounds sterling.

Bank of Scotland Foundation meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

#### 2.1.1 Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. Accordingly, the arrangements and headings have been adapted as provided for in the Companies Act 2006.

The Trustees have considered the budget plans and financial outlook of Bank of Scotland Foundation for at least twelve months from the date of signing these financial statements.

Based on the funding covenant in place with the Group and discussions with the Group, who also provide staff services, the Trustees have a reasonable expectation that the charity has adequate reserves to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of these financial statements. Accordingly, the Trustees continue to adopt the going concern basis in preparing the financial statements.

The Foundation is a public benefit entity.

#### 2.1.2 Fund accounting

The Foundation's funds are all unrestricted and are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity.

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 2.1 Accounting policies (continued)

#### 2.1.3 Cash and Cash equivalents

Cash and cash equivalents include cash and short-term highly liquid investments with a maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

#### 2.1.3 Donated Services

All office, utilities and staff costs incurred by the Foundation, are paid by Lloyds Banking Group plc. Donated services and facilities are valued and included as income and expenditure at the price the Foundation would pay in the open market for an equivalent service or facility.

The auditors are appointed for the 2023 financial statements, and audit fee is paid for by the Group. The value of the 2023 audit of £9,861 (2022: £9,482) has been included in the 2023 financial statements as a donated service.

#### 2.1.4 Expenditure

Charitable activities include grants payable which are charged in the year when the offer is conveyed and a valid expectation created with the recipient that the grant will be paid. All multi-period grants have no performance related conditions, and the only conditions are outside the Foundation's control. All multi-period grants are recognised in full as a liability in year of award if the payment of the grant is probable.

Grants and Matched Giving awards returned or cancelled are credited to expenditure in the year the monies are returned, or obligation terminated (if not yet paid).

#### 2.1.5 Allocation of costs

Charitable activities include the direct costs of the grant awards and the indirect support costs of delivering the grant programmes. Support costs are allocated between charitable programmes and governance based on estimated time spent by staff. Governance costs comprise all costs involving the public accountability of the Foundation and its compliance with regulation and good practice.

#### 2.1.6 Taxation

The Foundation is recognised as a charity. As a result, the charity is exempt from taxation on its charitable activities.

#### 2.1.7 Financial instruments

The Foundation has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### (i) Financial assets

Basic financial assets, including cash and bank balances, are recognised at transaction price, and subsequently carried at amortised cost.

##### (ii) Financial liabilities

Basic financial liabilities, including other creditors, are initially recognised at transaction price, and subsequently carried at amortised cost.

##### (iii) Critical accounting judgements and estimates

The Trustees do not consider there are any critical judgements or sources of estimation uncertainty requiring disclosure beyond the accounting policies listed above.

**Notes to the financial statements for the year ended 31 December 2023  
(continued)**

**3. Charitable Activities**

	<b>Grants Payable (3a) £</b>	<b>Matched Giving (3b) £</b>	<b>Support Costs £</b>	<b>Total 2023 £</b>
Social Exclusion and Disadvantage	3,440,016	396,774	572,352	4,409,142
<b>Total Charitable Activities</b>	<u>3,440,016</u>	<u>396,774</u>	<u>572,352</u>	<u>4,409,142</u>

	<b>Grants Payable (3a) £</b>	<b>Matched Giving (3b) £</b>	<b>Support Costs £</b>	<b>Total 2022 £</b>
Social Exclusion and Disadvantage	4,683,051	327,598	475,034	5,485,683
<b>Total Charitable Activities</b>	<u>4,683,051</u>	<u>327,598</u>	<u>475,034</u>	<u>5,485,683</u>

During 2023 the Foundation awarded 188 grants to charities for Social Exclusion and Disadvantage ranging from £1,500 to £225,000. Included in these amounts are Uplift Funding donations awarded to 59 charities and Reach Grants Second Year Funding awarded to 28 charities representing an overall total of £901,618.

Support costs primarily include other staff costs that are paid for by Lloyds Banking Group plc, and operating costs paid for by the Foundation. Staff costs relate to employees of Lloyds Banking Group plc who carried out certain administrative duties of the Foundation during the year.

**3a. Reconciliation of Grants Payable**

	<b>2023 £</b>	<b>2022 £</b>
Grants awarded in the year	3,443,016	4,707,739
Grants returned	(3,000)	(24,688)
	<u>3,440,016</u>	<u>4,683,051</u>

**Notes to the financial statements for the year ended 31 December 2023  
(continued)**

**3b. Reconciliation of Matched Giving Payable**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Matched Giving awarded in the year	401,087	327,718
Matched Giving cancelled	(4,313)	(120)
	<u>396,774</u>	<u>327,598</u>

**3c. Analysis of support costs**

Support costs primarily include other staff costs that are paid for by Lloyds Banking Group plc, and operating costs paid for by the Foundation. Staff costs relate to employees of Lloyds Banking Group plc who carried out certain administrative duties of the Foundation during the year. The Foundation does not have any employees.

	<b>Staff Costs £</b>	<b>Office Costs £</b>	<b>Total 2023 £</b>
Social Exclusion and Disadvantage	342,869	117,053	459,922
Corporate Governance	<u>72,439</u>	<u>39,991</u>	<u>112,430</u>
	<u>415,308</u>	<u>157,044</u>	<u>572,352</u>

	<b>Staff Costs £</b>	<b>Office Costs £</b>	<b>Total 2022 £</b>
Social Exclusion and Disadvantage	295,998	90,930	386,928
Corporate Governance	<u>67,615</u>	<u>20,491</u>	<u>88,106</u>
	<u>363,613</u>	<u>111,421</u>	<u>475,034</u>

**Staff Costs are split as follows:**

	<b>2023 £</b>	<b>2022 £</b>
Salaries	257,182	225,972
Social security costs	34,953	31,145
Pensions	80,024	61,096
Other staff costs	<u>43,149</u>	<u>45,400</u>
	<u>415,308</u>	<u>363,613</u>



**Notes to the financial statements for the year ended 31 December 2023  
(continued)**

**4. Donations**

All income is recognised in the Statement of Financial Activities when the Foundation is entitled to the income, the flow of economic benefit to the Foundation is probable and the amount can be measured reliably. The Foundation received £4,805,052 under the terms of the funding covenant with Lloyds Banking Group. All office space, utilities and staff costs incurred by the Foundation, are paid by Lloyds Banking Group plc. The staff costs total £415,308 (2022: £363,613) and details are in Note 3c above. Audit fees of £9,861 (2022: £9,482) were also paid by Lloyds Banking Group. Total donations from Lloyds Banking Group were £5,230,221 (2022: £4,734,698).

General office running costs totaling £157,044 (2022: £114,421) were paid for by the Foundation. These costs are primarily for IT, legal fees, marketing, and design costs.

**5. Trustees' expenses**

No Trustees received remuneration or accommodation expenses during the year from the Foundation. Reimbursed expenditure of £56 was made in 2023 to one Trustee for travel expenses. (2022: £59, one Trustee).

**6. Creditors: amounts falling due within one year**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Grants payable	1,875,240	1,480,829
Accruals	9,503	-
	<u>1,884,743</u>	<u>1,480,828</u>

Grants payable relate to applications received for employee Matched Giving prior to 31 December 2023 that had not been paid at the year-end £4,520, (2022: £41,815) and the amounts due in 2024 for Invest Grants beneficiaries £880,813, (2022: £709,002) and Change Grants beneficiaries £704,818 (2022: £704,818) and Reach and Uplift Grants beneficiaries £281,207 and £3,882 (2022: £24,213, and £980)

**7. Creditors: amounts falling due after one year**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Grants payable	<u>1,012,397</u>	<u>1,054,649</u>
	<u>1,012,397</u>	<u>1,054,649</u>

Grants payable relate to the annual amounts due after 2024 for Invest Grant beneficiaries.

Multi-year grants awarded but not paid are recognised as liabilities in accordance with the Foundation's accounting policy totalled £2,879,235 (2022: £2,468,469).

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 7. Creditors: amounts falling due after one year (Continued)

This comprises £1,866,838 due in less than one year as per note 6 above for Invest, Change Grants and Reach second year awards (2022: £1,413,820), and £1,012,397 due after one year as per note 7 above for Invest Grants (2022: £1,054,649).

### 8. Related party transactions

The Foundation is connected to and derives its revenue solely from Lloyds Banking Group plc. ("the Group")

The following transactions took place with the Group during the year, and with which there were the following balances at the year-end:

The Foundation received £4,805,052 (2022: £3,972,403) under the terms of the funding covenant in the year. The Group also paid costs of £425,169 (2022: £373,095) on behalf of the Foundation. These costs have been paid in accordance with the terms of the funding covenant.

At 31 December 2023 a balance of £5,459,547 (2022 - £4,066,096) was held in bank accounts with Bank of Scotland plc. The Foundation also received interest of £210,710 (2022 - £9,342) in the year.

Each Trustee, except Kenneth Macintosh, Julianne Reddin, Graeme Thompson, and Karen Watt is an employee of the Group and receives remuneration as a result of this employment.

### 9. Controlling party

The Trustees are of the opinion that there is no controlling party.

### 10. Analysis of charitable expenditure

The following table lists all Grants over £20,000 made during the year and the amount disclosed represents the amount which is recorded in the Statement of Financial Activities for the year ended 31 December 2023. A full list of all grants awarded in 2023 is available on our website [www.bankofscotlandfoundation.org](http://www.bankofscotlandfoundation.org). No grants to individuals were approved in the year.

**Notes to the financial statements for the year ended 31 December 2023  
(continued)**

**10. Analysis of charitable expenditure (continued)**

<b>Grants over £20,000</b>	<b>£</b>
Man On! Inverclyde	20,000
Connect Community Trust	20,000
Eighteen and Under	20,000
The Ripple Project	20,127
Home-Start East Lothian	20,190
Scottish Men's Sheds Association	20,526
Spinal Injuries Scotland	20,713
Faith in Community Dundee	20,854
Craigsfarm Community Development Project Ltd	21,000
The Folan Trust	21,145
West Lothian Youth Foundation	21,450
Our Community Kitchen	21,600
Forth Community Resource Centre Steering Group	21,665
Moray Women's Aid	22,125
Govan Youth Information Project	22,140
Venture Scotland	22,324
Lyra	22,560
Deaf Links	22,568
The Halliday Foundation	22,750
River Kids SCIO	22,919
Open Book	22,980
Lairg & District Learning Centre	23,261
Strathmartine Community Larder (SCIO)	23,276
Living Memory Association	23,276
Tweeddale Youth Action	23,387
Glasgow North West Citizens Advice Bureau	23,805
IWORK4ME	24,000
Outfit Moray	24,000
Lyle Gateway	24,000
Advocacy Western Isles	24,001
Home-Start Stirling	24,213
Richmonds Hope	24,463
Cowal Elderly Befrienders SCIO	24,550
Mind Your Head (SCIO)	24,708
Brooksbank Centre & Services	24,757
Home-Start Glasgow South	24,775
Dumfries and Galloway Advocacy Service	24,800
Home-Start Perth and Kinross	24,890
Start Up Stirling SCIO	24,919
Cranhill Development Trust	24,924
Baby Loss Retreat	24,982
Moray Rape Crisis	24,998
The St Johnstone Community Trust	24,999

Junction 12	24,999
SensationALL	25,000
Argyll, Lomond and the Islands Energy Agency	25,000
Hope Counselling Dundee	25,000
Talk Now	25,000
The Coach House Trust	25,000
Held In Our Hearts	25,000
Home-Start Lorn	25,000
HOPE Connections	25,000
Paisley YMCA	25,000
Perthshire Women's Aid	25,000
Creetown Initiative Ltd	36,900
Hand of Solace	50,000
Rosyth Community Projects Limited	87,300
Edinburgh Young Carers	88,580
Hope Garden SCIO	100,000
Starter Packs Inverclyde	100,000
3D Drumchapel	112,000
Ubuntu Women Shelter	116,771
Partnerships for Wellbeing	120,000
Glasgow (Central) Citizens Advice Bureau	225,000
	<b><u>£2,296,170</u></b>