

**The City of Edinburgh Council Charitable Trusts
Audited Trustee's Annual Report and Accounts
for the year ended 31 March 2017**

Legal and Administrative Information

Trustee

The City of Edinburgh Council acts as sole trustee for the charities in this report. The delegated responsibility for charitable trusts was transferred from the Pensions and Trusts Committee to the Finance and Budget Committee as part of the review of governance arrangements under the Committee Terms of Reference and Delegated Functions approved by Council on 20 September 2012 (Section 6.6). The Finance and Budget Committee has since been renamed the Finance and Resources Committee and now has delegated responsibility from Council to act in the role of trustee of its charities. The individual members of the Committee are listed on page 6 of the Trustee Report.

In addition to the above a separate Committee exists to manage the Jean F. Watson Bequest Art Collection. The Committee on the Jean F. Watson Bequest has the following delegated authority: "With monies from the Jean F. Watson Bequest, to purchase and commission for the City's collection, works of artists and craftspeople born, practising in, or otherwise associated with Scotland, and in particular Edinburgh; all decisions to be guided by the Collection and Disposal Policy for the City Museums and Galleries."

Registered Office

The City of Edinburgh Council
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Auditor

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Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2AD

Investment Managers

CCLA Investment Management Ltd
Senator House
85 Queen Victoria Street
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PO Box 9038
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Trustee's Audited Annual Report 2016/17

The trustee presents the Audited Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2017. The Annual Accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice effective 01/01/2015 (FRS 102), commonly referred to as the SORP.

Structure, Governance and Management

The charities that the Council administers are constituted in a variety of different ways. Details of how each charity was originally established are available from the Council.

The Trustee section on the previous page describes the Committees of the Council which are involved with administration. All committee members are elected Councillors. Members of the Finance and Resources Committee have been provided with copies of the OSCR guidance which explains the role and responsibilities of charity trustees. Risk management is covered as part of the Council's general risk management procedures.

All major decisions relating to the strategic operation of the Trusts are undertaken by the Finance and Resources Committee. There is also a dedicated Jean F. Watson Committee which meets to discuss the finances and make decisions on art acquisitions. The Children's Panel meets to approve funding for the Edinburgh Education Trust.

Reference and Administrative Details

At the year end the Council acted as sole trustee for a total of seven trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). A list of all the charities can be found on page 3 of this report and in the accounts.

The Council administers these charities but their assets are not available to the Council and have not been included in the Council's balance sheet, or its wider Group balance sheet.

Responsibilities of the Trustee

Charity law requires charity trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period.

The Council, as the trustee, has overall responsibility for the following:

1. Ensuring that there are appropriate systems of controls, financial and otherwise.
2. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006 and the SORP.
3. Selecting suitable accounting policies and applying them consistently.
4. Making judgements and estimates that are reasonable and prudent.
5. Safeguarding the assets of the charities.
6. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
7. Providing reasonable assurance that:
 - the charities are operating efficiently and effectively;
 - the charitable assets are safeguarded against unauthorised use or disposition;
 - proper records are maintained and financial information used by the charities is reliable;
 - the charities comply with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

1. A strategic plan approved by the charity trustee;
2. Regular consideration by the charity trustee of financial results and non-financial performance indicators;
3. Delegation of authority and segregation of duties;
4. Identification and management of risks.

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

Exemptions From Disclosure

None.

Funds held as Custodian Trustee on Behalf of Others

None.

**Trustee's Audited Annual Report 2016/17
Objectives and Activities**

Details of the charitable purposes of the charities as at 31 March 2017 are as follows:

Official Name (<i>Name Used in Accounts</i>)	Scottish Charity Registration Number	Purpose	Market Value at 31/3/17 £'000
Jean Fletcher Watson (<i>Jean F. Watson</i>)	SC018971	The purchase of works of art by artists who have connections with the city	6,274
Edinburgh Education Trust (<i>Edinburgh Education Trust</i>)	SC042754	To fund activities to support Looked after Children and school prizes	919
Nelson Halls Trust (<i>Nelson Halls</i>)	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	227
City of Edinburgh Council Charitable Funds (<i>Boyd Anderson</i>)	SC025067	Provision of outdoor education and skiing opportunities	113
Usher Hall Conservation Trust (<i>Usher Hall</i>)	SC030180	Raise funds for the renovation of the Usher Hall	65
Lauriston Castle Trust (<i>Lauriston Castle</i>)	SC020737	To make the artefacts and buildings available to be viewed by the public	7,041
The Royal Scots (The Royal Regiment) Monument Trust Fund (<i>The Royal Scots Trust</i>)	SC018945	Maintenance of the Royal Scots Monument	32
Total			14,671

The Catherine Cowper Trust is not included in the accounts as it is not a registered charity.

The main activities undertaken in relation to the Trusts' purposes are outlined below;

Jean F. Watson purchased 'Moon' by Alison Watt during the financial year. An additional planned purchase will be progressed and finalised throughout the next financial year.

The Edinburgh Education Trust funded £7,569 of activities for looked after children (£11,021 2015/16) and £1,316 of school prizes (£1,668 2015/16). An improved process has been introduced to ensure that this funding is allocated to the recipients in a more timely and direct manner than had been the case previously.

The Nelson Halls are open to the public as part of the libraries and community centres they are attached to.

At the January 2016 Finance and Resources Committee, it was agreed that £64,000 of the Boyd Anderson funds would be used to build a modular log cabin type classroom and storage space at Lagganlia. Construction works have not yet been completed at Lagganlia, therefore these monies have not yet been transferred. A proposal for the remaining £49,434 will be made to Committee in 2017/18. Once these funds have been utilised and permission granted from the Trustees and OSCR, the Trust will be wound up.

At the February 2017 Finance and Resources Committee, it was agreed that the Usher Hall Conservation Trust would be wound-up after all of its funds were transferred to the Usher Hall to contribute to the purchase of a new Steinway grand piano. This will happen in early 2017/18 and OSCR will be notified.

The Lauriston Castle is open to the public with the interest received in 2016/17 used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2016/17 was used to cover some of the running costs.

Achievements and Performance

To assist Jean F. Watson in the purchase of 'Moon', £9,500 was received from the National Fund for Acquisitions administered by the National Museums of Scotland and £5,000 was received from Friends of City Art Centre.

There was £4,185 of expenditure incurred across five of the Trusts in 2016/17 for investment advice with the intention of improving investment returns in future periods. (£nil 2015/16)

Trustee's Audited Annual Report 2016/17
Achievements and Performance - continued

Financial Investments Performance

Performance information for 12 months to 1 November 2016 by Charibond Charities Fixed Interest Common Investment Fund was a total return (capital performance with gross income reinvested) of 9.3% compared to the FTSE British Government All Stocks Index - a broad index of UK government bonds which does not include corporate bonds - which returned 9.1% over the same period. Charibond's gross redemption yield after expenses on 1 November 2016 was 1.8% compared with the gross redemption yield of 1.3% on 10-year UK government bonds (gilts). However, if recent low interest rates were to be sustained, the distribution will be cut again in 2017.

The Allianz Global Investors managed Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund were wound up with the funds liquidated as at 30 June 2016 and these paid out on 4 July 2016, with a total value of £1,487,394 and an in-year realised investment gain of £54,702.

Arlingclose were requested to undertake an investment options report. This report considered factors such as; past capital and income return, size of fund, investment approach and objectives, ethical considerations and annual charges.

It was recommended to, and approved by, the Acting Executive Director of Resources that the £1,487,394 paid out by Allianz, as well as an additional £100,000 from the Edinburgh Education Trust, were invested in the COIF Charities Investment Fund managed by CCLA.

The longer term total return performance (gross) for the 12 months to end March is outlined in the table below;

	2017	2016	2015	2014	2013
Fund	+20%	+0.4%	+14.7%	+7.2%	+18.5%
Comparator	+20.4%	-1.5%	+11.1%	+8.1%	+13.7%

The COIF Charities Investment Fund is split 50.4% in overseas equities, 26.2% in UK equities, 20.2% in Property/Other Assets, 0.3% in Fixed Interest and 2.9% in Cash as at 31 March 2017. The overseas equities split are split as follows: - North America 29.3%, Europe 12.8%, Japan 4.3%, Pacific Ex. Japan 3.3%, Other Americas 0.7%.

Asset allocation was helpful to performance, in particular the exposure to international equities. The contribution from stock selection, however, was mixed, boosted by a low weighting to energy but held back by low returns from the health sector.

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2017. This section describes briefly the key points of each statement. Financial statements and notes have been rounded to the nearest thousand. All of the unrestricted funds of the charities are general and not designated.

The Statement of Financial Activities shows the total income to be £87,000 in 2016/17. (2015/16 £56,000). This increase in income compared to the previous year is due to the well timed investment in the COIF Charities Investment Fund, which saw additional dividend income received in the year and a further £100,000 being invested by Edinburgh Education Trust. The £14,500 of grant income received for purchasing art, resulted in a significant boost in income.

The expenditure in the year is higher than last year at £37,000 compared to £33,000. This movement is primarily a result of governance costs being £2,000 higher in 2016/17 as a result of the net impact of investment advice of £4,185 being charged directly to the Trusts and the central support costs being slightly lower than in the previous year. An analysis of expenditure is detailed in Notes 3, 4 and 5 with the values against Nelson Halls, Lauriston Castle and The Royal Scots Trusts being allocated to the maintenance of the assets.

The Balance Sheet Statement shows the fixed asset investments have increased from £1.843m to £2.066m. Movements on the valuation of the investments are further analysed in note 8, 16 and 17.

Trustee's Audited Annual Report 2016/17

Financial Review - continued

Fixed asset properties and collections have been included in the accounts at their most recent valuations. The £87,000 decrease in cash is further analysed in the Cash Flow Statement (£7,000 increase in 2015/16). The detail of the breakdown of the £23,000 owed by each Trust as at 31 March 2017 is included within Note 17 of the Accounts with the year on year comparative included in Note 10 and additional detail on who is owed monies provided in Note 12.

Reserves Policy

The Charitable Trusts should follow the prevailing general principle that the "Capital" of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year. If the Trustee requires to use "Capital" balances, Finance and Resources Committee approval would be required on a case by case basis. This policy was approved at the 17 March 2016 Finance and Resources Committee.

The annual income for Jean F. Watson averages around £25,000. This income can be used to purchase additional artwork, preserve existing artwork or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £6,274,000, consisting of £914,000 in Investments, £5,275,000 in Fixed Assets, £89,000 in Cash less Creditors of £4,000.

The annual income for the Edinburgh Education Trust averages around £20,000. This income is used for the advancement of education, academic and physical, formal and informal, to include the giving of bursaries and prizes as well as assistance for residents who find themselves in a state of financial hardship within the City of Edinburgh District or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £919,000, consisting of £876,000 in Investments, £45,000 in Cash less Creditors of £2,000.

The annual income for Nelson Halls averages around £5,000. This income should be used in full towards costs incurred by the City of Edinburgh Council for the maintenance of the Halls. The Trust has total funds of £227,000, consisting of £205,000 in Investments, £19,000 in Heritable Assets, £10,000 in Cash less Creditors of £7,000.

No reserves policy has been created for Boyd Anderson as the existing funds have been agreed to be disbursed as per the report to Finance and Resources Committee on 14 January 2016.

The annual income for Usher Hall averages around £250. This income is used towards costs incurred by the City of Edinburgh Council for the maintenance of the Usher Hall. On 23 February 2017, the Finance and Resources Committee agreed to transfer £68,000 less the annual governance costs (including Audit fee) to assist in covering the cost of the new grand piano. The Trust has total funds of £65,000, consisting of £68,000 in Cash less Creditors of £3,000.

The annual income for the Lauriston Castle averages around £1,000. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Castle. The Trust has total funds of £7,041,000, consisting of £7,001,000 in Heritable Assets, £40,000 in Investments, £1,000 in Cash less Creditors of £1,000.

The annual income for The Royal Scots Trust averages around £800. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Monument. The Trust has total funds of £32,000, consisting of £31,000 in Investments and £2,000 In Cash less Creditors of £1,000.

The Heritable Assets and the Investments stated above are endowment funds and are therefore not available for general purposes. An analysis of Heritable Assets is included within Note 7 to the Accounts.

Trustee's Audited Annual Report 2016/17

Financial Review - continued

Plans for Future Period

The strategy to radically restructure the trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. Future plans include the full disbursement of the remaining funds of the Boyd Anderson Trust and the official winding up of Usher Hall Conservation Trust in the 2017/18 financial year, which will leave five Trusts remaining.

Since the end of the 2015/16 financial year the Trusts have improved processes regarding the transfer of funds and this should be continued in 2017/18 to ensure individuals are aware of the money available to them and that this is transferred promptly. Forecasting will be carried out by finance staff in 2017/18 to ensure that they are also aware of the likely money available in 2018/19 to enable longer-term planning.

Signed on behalf of the trustee of the charities:

Councillor Alasdair Rankin

Convener of the Finance and Resources Committee

Date:

The other members of the Finance and Resources Committee as at 31 March 2017 are outlined below;

Councillor Bill Cook (*Vice Convener*)
Councillor Gavin Corbett
Councillor Denis Dixon
Councillor Paul Edie
Councillor Paul Godzik
Councillor Joan Griffiths
Councillor Bill Henderson
Councillor Ricky Henderson
Councillor Allan Jackson
Councillor Adam McVey
Councillor David Walker
Councillor Iain Whyte

Members of the Jean F. Watson Committee as at 31 March 2017 are outlined below;

Councillor Lewis (Convener)
Councillor Fullerton
Councillor Aitken
Councillor Keil
Councillor Paterson
Councillor Redpath

The other members of the Finance and Resources Committee as at 28 September 2017 are outlined below;

Councillor Marion Donaldson (*Vice Convener*)
Councillor Claire Bridgman
Councillor Gavin Corbett
Councillor Derek Howie
Councillor Graham Hutchison
Councillor Andrew Johnston
Councillor Claire Miller
Councillor Neil Ross
Councillor Mandy Watt
Councillor Iain Whyte

Members of the Jean F. Watson Committee as at 28 September 2017 are outlined below;

Councillor Fullerton (Convener)
Councillor Aldridge
Councillor Donaldson
Councillor Doran
Councillor McNeese-Mechan
Councillor Mitchell
Councillor Mowat
Councillor Rae

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2017

	Note	2016/17			Re-stated 2015/16		
		Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
		£'000	£'000	£'000	£'000	£'000	£'000
Income and Endowments from:							
<i>Charitable activities</i>	2	14	-	14	2	-	2
<i>Investments</i>	2	73	-	73	54	-	54
Total		<u>87</u>	<u>-</u>	<u>87</u>	<u>56</u>	<u>-</u>	<u>56</u>
Expenditure on:							
<i>Raising Funds</i>	3	(4)	-	(4)	-	-	-
<i>Charitable activities</i>	4, 5	(33)	-	(33)	(33)	-	(33)
Total		<u>(37)</u>	<u>-</u>	<u>(37)</u>	<u>(33)</u>	<u>-</u>	<u>(33)</u>
<i>Net gains / (losses) on investments</i>	16	-	123	123	-	(97)	(97)
Total		<u>-</u>	<u>123</u>	<u>123</u>	<u>-</u>	<u>(97)</u>	<u>(97)</u>
Net income / (expenditure)		<u>50</u>	<u>123</u>	<u>173</u>	<u>23</u>	<u>(97)</u>	<u>(74)</u>
Transfers between funds		<u>(100)</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net movement in funds		<u>(50)</u>	<u>223</u>	<u>173</u>	<u>23</u>	<u>(97)</u>	<u>(74)</u>
Reconciliation of funds							
<i>Capital as 1 April</i>		1,250	1,637	2,887	1,227	1,734	2,961
<i>Revaluation Reserve</i>		4,377	7,001	11,378	4,377	7,001	11,378
<i>Market Value Adjustment</i>		8	225	233	8	225	233
<i>Total funds brought forward</i>		<u>5,635</u>	<u>8,863</u>	<u>14,498</u>	<u>5,612</u>	<u>8,960</u>	<u>14,572</u>
Total funds carried forward	17	<u>5,585</u>	<u>9,086</u>	<u>14,671</u>	<u>5,635</u>	<u>8,863</u>	<u>14,498</u>

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2017

	Note	2016/17			Re-stated 2015/16		
		Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets:							
<i>Jean F. Watson Collection</i>	6	5,275	-	5,275	5,236	-	5,236
<i>Heritable Property</i>	7	-	7,020	7,020	-	7,020	7,020
<i>Investments</i>	8	-	2,066	2,066	-	1,843	1,843
Total fixed assets		5,275	9,086	14,361	5,236	8,863	14,099
Current Assets:							
<i>Cash at Bank</i>	9	333	-	333	420	-	420
Total current assets		333	-	333	420	-	420
Liabilities:							
<i>Creditors due within one year</i>	10, 12	(23)	-	(23)	(21)	-	(21)
Total Liabilities		(23)	-	(23)	(21)	-	(21)
Net Current Assets		310	-	310	399	-	399
Total Net Assets		5,585	9,086	14,671	5,635	8,863	14,498
The funds of the charity:							
<i>Unrestricted Funds</i>	17	1,208	-	1,208	1,258	-	1,258
<i>Endowment Funds</i>	17	-	2,085	2,085	-	1,862	1,862
<i>Revaluation Reserve</i>	17	4,377	7,001	11,378	4,377	7,001	11,378
Total Charity Funds		5,585	9,086	14,671	5,635	8,863	14,498

The unaudited accounts were issued on 22 June 2017. The audited accounts were authorised for issue on 28 September 2017. I can confirm that these Annual Report and Accounts were approved for signature by the Finance and Resources Committee at its meeting on 28 September 2017.

Signed on behalf of the charity trustee:

Councillor Alasdair Rankin
Convener of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Cash Flow Statement
As at 31 March 2017

	31 March 2017	31 March 2016
	£'000	£'000
Operating Activities		
<i>Dividend Income and Interest received (Note 2)</i>	(72)	(54)
<i>Grant Income for Purchase of Art</i>	(14)	-
Cash inflows generated from operating activities	<u>(86)</u>	<u>(54)</u>
<i>Cash paid for Investment Advice (Note 3)</i>	4	-
<i>Cash paid to Schools and Pupils (Note 4)</i>	9	13
<i>Cash paid for Purchase of Art (Note 6)</i>	39	4
<i>Cash paid to the Council</i>	21	30
Cash outflows generated from operating activities	<u>73</u>	<u>47</u>
Net cash flows from operating activities	<u>(13)</u>	<u>(7)</u>
Investing Activities		
<i>Additional Investment into COIF Charities Investment Fund</i>	100	-
Net cash flows from investing activities	<u>100</u>	<u>-</u>
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net (increase) / decrease in cash and cash equivalents	<u>87</u>	<u>(7)</u>
	April 2016	April 2015
<i>Cash and cash equivalents (Note 9)</i>	420	413
	March 2017	March 2016
<i>Cash and cash equivalents (Note 9)</i>	<u>333</u>	<u>420</u>
Net (increase) / decrease in cash and cash equivalents	<u>87</u>	<u>(7)</u>

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2017

1 Accounting policies

a) Basis of preparation

The 2016/17 financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

These financial statements have been prepared on the basis that the Trusts for which the City of Edinburgh Council acts as sole Trustee are connected charities. As such, the accounts for the individual charities have been prepared on a collective basis. These financial statements contain all the relevant information that the individual charity accounts would have contained if they had been prepared on an individual basis. These Trusts meet the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable trust funds' transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

b) Fund accounting

Unrestricted funds are general funds that are available for use at the trustee's discretion in the furtherance of any of the objectives of the charities.

Almost all of the charities have an endowment fund consisting of invested capital and any heritable property. Endowment funds are held on trust to be retained for the benefit of the charity as a capital fund. The income arising from the investments is available for the purposes of each charity and is added to the relevant unrestricted fund. In most cases the trustee has discretion to expend endowment funds should the need arise.

c) Investment income

Investment income is accounted for in the period in which the charity is entitled to receive it and the amount can be measured with reasonable certainty.

d) Grant income

Revenue grants, including those from government, are recognised in the Statement of Financial Activities (SoFA) in the period in which the charitable trust is entitled to receipt and the amount can be measured with reasonable certainty. Such income is deferred when the charitable trust has to fulfil conditions before becoming entitled to it.

e) Expenditure

Expenditure is included in the financial statements on an accruals basis.

f) Heritable property and depreciation

Heritable properties are stated in the accounts at a revalued amount where this is available. Where this is not available historic cost has been used, this is the case for the Nelson Halls. Depreciation is not currently provided for heritable property.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2017

1 Accounting policies - continued

g) Heritable assets and depreciation

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation. The type of assets includes collections of: paintings, ceramics, textiles, silverware, clocks and books. The valuations used for these assets are based on values for insurance purposes.

h) Investments

Investments are included at market value at the balance sheet date in accordance with the principles of the SORP. Any gain or loss on revaluation is shown on the Statement of Financial Activities.

i) Reserves policy

The endowment fund is maintained for the charity as a capital fund. The amount of income generated by investments is available for expenditure on charitable purposes. The Finance and Resources Committee agreed the current Reserves Policy on 17 March 2016.

j) Creditors

Creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and are measured at fair value.

l) Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the charitable trust becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS102. At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from asset to expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

m) Critical judgements and estimates

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the charitable trust funds' accounting policies.

The trustees do not consider there to be any accounting judgements required in preparing these accounts. The trustees are satisfied that accounting policies are appropriate and applied consistently.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2017

2 Analysis of Income	2016/17	2015/16	
	£'000	£'000	
<i>Dividend income</i>	72	53	
<i>Bank interest received</i>	1	1	
<i>Jean F. Watson grant received for purchase of art</i>	14	2	
	<hr/>	<hr/>	
Total Income	87	56	
	<hr/> <hr/>	<hr/> <hr/>	
3 Analysis of Expenditure on Raising Funds	2016/17	2015/16	
	£'000	£'000	
<i>Jean F. Watson - Investment Management Costs</i>	(2)	-	
<i>Edinburgh Education Trust - Investment Management Costs</i>	(2)	-	
	<hr/>	<hr/>	
Total Expenditure on Raising Funds	(4)	-	
	<hr/> <hr/>	<hr/> <hr/>	
4 Analysis of Expenditure on Charitable Activities	2016/17	Re-stated 2015/16	
	£'000	£'000	
<i>Edinburgh Education Trust - Grants to Individuals</i>	(8)	(11)	
<i>Edinburgh Education Trust - Grants to Schools</i>	(1)	(2)	
<i>Lauriston Castle - Maintenance of Assets</i>	(1)	(1)	
<i>Nelson Halls - Maintenance of Assets</i>	(7)	(5)	
<i>The Royal Scots Trusts - Maintenance of Assets</i>	(1)	(1)	
	<hr/>	<hr/>	
	(18)	(20)	
<i>Allocation of support costs</i>	(15)	(13)	
	<hr/>	<hr/>	
Total Expenditure on Charitable Activities	(33)	(33)	
	<hr/> <hr/>	<hr/> <hr/>	
5 Analysis of Support Costs	Governance	Finance	Total
<i>Edinburgh Education Trust</i>	(1)	(1)	(2)
<i>Boyd Anderson</i>	(3)	(3)	(6)
<i>Jean F. Watson</i>	(2)	(2)	(4)
<i>Usher Hall</i>	(2)	(1)	(3)
	<hr/>	<hr/>	<hr/>
Total Support Costs	(8)	(7)	(15)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The basis of allocation for the governance and the finance support costs was the cash held at bank at the time of allocation.

No trustee received any remuneration or expenses during year ending 31 March 2017. There are no employees of the City of Edinburgh Council Charitable Trusts.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2017

	2016/17	Re-stated 2015/16
	£'000	£'000
6 Jean F. Watson Collection		
<i>Balance brought forward at 1 April</i>	5,236	5,232
<i>Purchases during the year</i>	39	4
Balance carried forward at 31 March	<u>5,275</u>	<u>5,236</u>

In 1961 an agreement was signed by Miss Jean F. Watson and the Corporation of the City of Edinburgh which set up a fund to purchase works of art in memory of Miss Watson's parents. The Trust acquires works of art for public viewing in Edinburgh by artists who have connections with the city. The agreement allows for existing items in the collection to be sold and the proceeds used to purchase other works of art. The two purchases in the table above are the only purchases in the last five financial years and there have been no disposals. These are classified as heritage assets.

	2016/17	2015/16
	£'000	£'000
7 Analysis of Heritable Property		
<i>Nelson Halls</i>	19	19
<i>Lauriston Castle</i>	7,001	7,001
Total Heritable Property	<u>7,020</u>	<u>7,020</u>

The Lauriston Castle valuation includes £5m based on full inventory evaluation of the collection. An external revaluation of the collection commenced in 2015/16 but the final figures were still unavailable for inclusion in the 2016/17 Trustee's Annual Report and Accounts. The previous valuation of the Lauriston Castle was carried out in 1997 by Sotheby's, with the last full inventory evaluation of contents dating back to 1978.

The Nelson Halls properties have not been valued for the purposes of these accounts and are stated at cost. These buildings are now often incorporated into the fabric of existing buildings and are therefore difficult to revalue.

Additional information on heritable property can be found in the Trustee's Annual Report but there have been no acquisitions or disposals in the past five financial years, except for those mentioned for Jean F. Watson in Note 6 above.

8 Analysis of Investments	At 31/3/16	Realised Investments	Purchases at cost	Net Gain on revaluation	At 31/3/17
	£'000	£'000	£'000	£'000	£'000
<i>Edinburgh Education Trust</i>	725	(29)	(100)	(22)	876
<i>Jean F. Watson</i>	858	(30)	-	(26)	914
<i>Lauriston Castle</i>	38	(1)	-	(1)	40
<i>Nelson Halls</i>	193	(7)	-	(5)	205
<i>The Royal Scots Trust</i>	29	(1)	-	(1)	31
					-
Total Investments	<u>1,843</u>	<u>(68)</u>	<u>(100)</u>	<u>(55)</u>	<u>2,066</u>

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2017

9 Analysis of Cash and Cash Equivalents	2016/17	2015/16
	£'000	£'000
<i>Edinburgh Education Trust</i>	45	131
<i>Boyd Anderson</i>	118	120
<i>Jean F. Watson</i>	89	84
<i>Lauriston Castle</i>	1	4
<i>Nelson Halls</i>	10	8
<i>The Royal Scots Trust</i>	2	2
<i>Usher Hall</i>	68	71
Total Cash at Bank	<u><u>333</u></u>	<u><u>420</u></u>

10 Analysis of Creditors Due Within One Year	Unrestricted	Endowment	2016/17	2015/16
	funds	funds	Total	Total
	£'000	£'000	£'000	£'000
<i>Amounts due to the Council</i>	(23)	-	(23)	(21)
Total Liabilities	<u><u>(23)</u></u>	<u><u>-</u></u>	<u><u>(23)</u></u>	<u><u>(21)</u></u>

Detail of the amounts due per Trust is available in Note 17.

11 Analysis of Financial Assets and Liabilities	2016/17	2015/16
	£'000	£'000
<i>Financial assets measured at amortised cost</i>	333	420
<i>Financial liabilities measured at amortised cost</i>	(23)	(21)
<i>Financial assets measured at market value</i>	2,066	1,843
Total Financial Assets and Liabilities	<u><u>2,376</u></u>	<u><u>2,242</u></u>

12 Related Party Transactions

During the year the City of Edinburgh Council made payments on behalf of the Charitable Trusts. At the end of the year £15,996 was owed to the Council by the Trusts (2015-16 £21,422) and £7,500 owed to Scott Moncrieff for the 2016/17 Audit. Detail of the amounts due per Trust is available in Note 17.

13 Prior Year Adjustment

The purchase of 'Craggs at Dawn' by Jean F. Watson has been reflected as an increase in fixed assets, which has increased assets by £4,000 and decreased expenditure by £4,000 in 2015/16.

14 Post Balance Sheet Event

Events after the balance sheet date

There have been no events since 31 March 2017, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

15 Audit Fee

The fee payable to Scott-Moncrieff in respect of the audit services for the Council's Charitable Trusts is £7,500 for 2016/17. (2015/16 £4,250 to Audit Scotland) This fee was included in the overall governance costs and allocated proportionately to each individual Trust.

The City of Edinburgh Council Charitable Trusts

Notes to the accounts

For the year ended 31 March 2017

16 Trusts at Market Value - Year Ended 31 March 2017

Charity Name	SC Number	Re-stated	Income in year	Expenditure in year	Gains on investments	Funds carried forward	Re-stated
		Funds brought forward					2015/16 Market Value
		£'000	£'000	£'000	£'000	£'000	£'000
Edinburgh Education Trust	SC042754	852	30	(13)	50	919	852
Boyd Anderson	SC025067	118	1	(6)	-	113	118
Jean F. Watson	SC018971	6,177	47	(6)	56	6,274	6,177
Lauriston Castle	SC020737	7,039	1	(1)	2	7,041	7,039
Nelson Halls	SC018946	214	7	(7)	13	227	214
The Royal Scots Trust	SC018945	30	1	(1)	2	32	30
Usher Hall	SC030180	68	-	(3)	-	65	68
Total Funds		14,498	87	(37)	123	14,671	14,498

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2017

17 Trusts at Market Value - Year Ended 31 March 2017

Charity Name	SC Number	Revaluation Reserve								2016/17 Market Value	Re-stated 2015/16 Market Value
		Unrestricted Funds				Endowment Funds					
		Cash at Bank	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Heritable Property	Heritable Property incl. Lauriston Castle	Investments	Investments Market Value Adjustment		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Edinburgh Education Trust	SC042754	45	(2)	-	-	-	-	844	32	919	852
Boyd Anderson	SC025067	118	(5)	-	-	-	-	-	-	113	118
Jean F. Watson	SC018971	89	(4)	898	4,377	-	-	881	33	6,274	6,177
Lauriston Castle	SC020737	1	(1)	-	-	7,001	-	39	1	7,041	7,039
Nelson Halls	SC018946	10	(7)	-	-	-	19	198	7	227	214
The Royal Scots Trust	SC018945	2	(1)	-	-	-	-	30	1	32	30
Usher Hall	SC030180	68	(3)	-	-	-	-	-	-	65	68
Total Funds		333	(23)	898	4,377	7,001	19	1,992	74	14,671	14,498

Independent auditor's report to the Trustee of The City of Edinburgh Council Charitable Trusts and the Accounts Commission for Scotland

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, we 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

We certify that we have audited the financial statements in the statement of accounts of The City of Edinburgh Council Charitable Trusts for the year ended 31 March 2017 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, the Cash Flow Statement 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 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 our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2017 and of their 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 of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 charities 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 Ethical Standards for Auditors, 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.

Responsibilities of the trustees for the financial statements

As explained more fully in the Responsibilities of the Trustee, 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.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charities and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) 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

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 our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we 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 our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on other requirements**Opinion on other prescribed matter**

We are required by the Accounts Commission to express an opinion on the following matter.

In our 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 we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Nick Bennett

For and on behalf of Scott-Moncrieff

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

Date: