

**The City of Edinburgh Council Charitable Trusts
Trustee's Annual Report and Accounts
for the year ended 31 March 2019**

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.

Reference and Administrative Details

At the year end the Council acted as sole trustee for a total of six 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.

Registered Office

The City of Edinburgh Council
City Chambers
High Street
Edinburgh
EH1 1YJ

Auditor

Scott-Moncrieff
Exchange Place 3
Sempie 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
London
EC4V 4ET

Legal Advisors

The City of Edinburgh Council
City Chambers
High Street
Edinburgh
EH1 1YJ

M&G Charities
PO Box 9038
Chelmsford
CM99 2XF

Trustee's Annual Report 2018/19

The trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2019. 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 Charities SORP (FRS 102). One set of accounts for connected charities has been prepared under the provisions of these regulations.

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 Committee of the Council which is 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 **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."

The Children's Panel meets to approve funding for the Edinburgh Education Trust. The Children's Panel consists of four senior Council officers.

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 Charities SORP (FRS 102).
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:
 - i) the charities are operating efficiently and effectively;
 - ii) the charitable assets are safeguarded against unauthorised use or disposition;
 - iii) proper records are maintained and financial information used by the charities is reliable;
 - iv) 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
3. Delegation of authority and segregation of duties; and
4. Identification and management of risks.

The Trustee is 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 and Funds held as Custodian Trustee on Behalf of Others

None.

Trustee's Annual Report 2018/19
Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2019 are as follows:

Official Name (<i>Name Used in Accounts</i>)	Scottish Charity Registration Number	Purpose	Market Value at 31/3/19 £'000
Jean Fletcher Watson (<i>Jean F. Watson</i>)	SC018971	The purchase of works of art by artists who have connections with the city	6,424
Edinburgh Education Trust (<i>Edinburgh Education Trust</i>)	SC042754	To fund activities to support Looked after Children and school prizes	1,021
Nelson Halls Trust (<i>Nelson Halls</i>)	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	241
City of Edinburgh Council Charitable Funds (<i>Boyd Anderson</i>)	SC025067	Provision of outdoor education and skiing opportunities	105
Lauriston Castle Trust (<i>Lauriston Castle</i>)	SC020737	To make the artefacts and buildings available to be viewed by the public	7,043
The Royal Scots (The Royal Regiment) Monument Trust Fund (<i>The Royal Scots Trust</i>)	SC018945	Maintenance of the Royal Scots Monument	34
Total			14,868

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

Jean F. Watson purchased artwork totalling £42,220, with funding of £26,360 provided to contribute towards these purchases, as set out in Note 5. This compares to the purchase of 'Princes Street Station, Edinburgh' by William Wilson for £550 during the previous financial year.

Additional purchases were approved at the **Committee on the Jean F Watson Bequest** meeting on 30 November 2018 and will be progressed and finalised throughout the next financial year.

The Edinburgh Education Trust funded £9,663 of activities for looked after children (£8,427 2017/18) and £2,178 of school prizes (£2,154 2017/18). 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. Unused funds from the current year will be rolled forward into the new year.

At the **14 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 to use the remaining funds for the same purpose was approved by **Committee on 23 January 2018**. OSCR have granted consent to wind up the Trust and this will be progressed once the log cabin and storage space has been completed.

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

The Lauriston Castle is open to the public with the interest received in 2018/19 used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2018/19 was used to cover some of the running costs.

Trustee's Annual Report 2018/19 Achievements and Performance

Financial Investments Performance

The Trusts' investments are held in the Charibond Charities Fixed Interest Common Investment Fund managed by M&G Charities and the COIF Charities Investment Fund managed by CCLA Investment Management Ltd.

Charibond Charities Fixed Interest Common Investment Fund

Charibond recorded a flat total return of 0.0% over the 12 months to 1 November 2018. This outcome largely reflects the generally challenging period for the performance of bonds, with the fund's positioning bias towards short-dated government securities being a factor that held back its returns. The FTSE British Government All Stocks Index - a broad index of UK government bonds - returned 1.3% over the same period.

The single year performance for the last five years ending October is outlined in the table below;

	2018	2017	2016	2015	2014
Charibond	0.0%	1.2%	9.6%	3.0%	4.5%

A letter dated March 2018 was received stating that the fund's distribution would be reducing with effect from its next quarterly payment in May 2018. As at 1 November 2018, the distribution yield of the fund was 2.3%, which reflects this reduction becoming effective. For comparison, on 1 November 2017, the fund's distribution yield was 3.7%.

COIF Charities Investment Fund

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

	2019	2018	2017	2016	2015	2014	2013
Fund	12.2%	6.0%	20.0%	0.4%	14.70%	7.20%	18.50%
Comparator	8.5%	2.2%	20.4%	-1.5%	11.10%	8.10%	13.70%

The return was supported by stock selection in the equity portfolio. There were strong performances in health, industrials, I.T. and specialist financials. The low weighting to energy and mainstream banks was also helpful. Asset allocation was a negative factor due to the weighting in equities, which was below that of the comparator. The cash allocation, increased in the previous quarter, made a minor but negative contribution.

The COIF Charities Investment Fund is split; 54.7% in overseas equities, 17.8% in UK equities, 20.9% in Property/Other Assets, 3.4% in Fixed Interest and 3.2% in Cash as at 31 March 2019. The overseas equities are split as follows: - North America 33.85%, Europe 13.14%, Pacific Ex. Japan 5.2%, Japan 2.16%, Other Americas 0.34%.

The forecast annual income from the COIF Charities Investment Fund is £60,374, which represents an income yield of around 3.35% based on the current market value of investments.

Termination of the Chariguard UK Equity Fund

Further to the shareholder notice dated 1 April 2016, the termination of the Chariguard UK Equity Fund has now been completed. Following completion of the termination, a balance remained to the account of the Fund. This amount (net of a provision for any further expenses) was paid as a final distribution to the Trusts in proportion to their holding in the Fund at the commencement of termination.

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2019. 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 £105,000 in 2018/19. (2017/18 £89,000). This increase in income compared to the previous year is primarily due to the grants received by the Jean F. Watson Trust to support the purchase of artwork. An analysis of income is available in Note 2.

Trustee's Annual Report 2018/19

Financial Review - continued

The expenditure in the year is lower than last year at £38,000 compared to £100,000. This movement is primarily a result of £65,000 of funds from the Usher Hall Trust being transferred to the City of Edinburgh Council to assist in the purchase of a Grand Piano at the Usher Hall in the prior year. A like-for-like comparison would show a £3,000 increase in 2018/19 as a result of the increase in support costs. An analysis of expenditure is detailed in Notes 3 and 4 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 to £2.207m from £2.075m. Movements on the valuation of the investments are further analysed in note 7, 16 and 17.

Fixed asset properties and collections have been included in the accounts at their most recent valuations. The £18,000 increase in cash is further analysed in the Cash Flow Statement (£20,000 decrease in 2017/18). The detail of the breakdown of the £27,000 owed by the Trusts as at 31 March 2019 is included within Note 17 of the Accounts with the year on year comparative included in Note 10.

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 £40,000. 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 £6,424,000, consisting of £975,000 in Investments, £5,317,000 in Fixed Assets, £129,000 in Cash, £11,000 of debtors less Creditors of £8,000.

The annual income for the Edinburgh Education Trust averages around £35,000. 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 £1,021,000, consisting of £937,000 in Investments, £81,000 in Cash, £7,000 of debtors less Creditors of £4,000.

The annual income for Nelson Halls averages around £8,000. 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 £241,000, consisting of £219,000 in Investments, £19,000 in Heritage Assets, £9,000 in Cash, £2,000 of debtors less Creditors of £8,000.

The annual income for the Lauriston Castle averages around £1,500. 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 £7,043,000, consisting of £7,001,000 in Heritage Assets, £43,000 in Investments, £1,000 in Cash less Creditors of £2,000. Cash will be available to fund liabilities as they fall due.

The annual income for The Royal Scots Trust averages around £1,200. 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 £34,000, consisting of £33,000 in Investments and £2,000 in Cash less Creditors of £1,000.

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 Heritage Assets and the Investments stated above are endowment funds and are therefore not available for general purposes. An analysis of Heritage Assets is included within Notes 5 and 6 to the Accounts.

Trustee's Annual Report 2018/19

Financial Review - continued

Going Concern Policy

The financial statements for the remaining five trusts, after the closure of Boyd Anderson, are prepared on the going concern basis. The trustees are of the opinion those trusts are a going concern from reviewing activities undertaken, based on expected expenditure commitments in the coming year.

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 which has been approved by Committee, leaving 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 2019/20 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 2019/20 to ensure that they are also aware of the likely money available in 2020/21 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 26

September 2019 are outlined below:

Councillor Lezley Marion Cameron *(from 02.05.19)*
Councillor Rob Munn *(from 02.05.19)*
Councillor Gavin Corbett
Councillor George Gordon
Councillor Graham Hutchison
Councillor Andrew Johnston
Councillor Chas Booth *(from 27.06.19)*
Councillor Neil Ross
Councillor Mandy Watt *(to 02.05.19 and from 22.08.19)*
Councillor Graeme Bruce *(from 27.06.19)*

The following were also members during the reporting period:

Councillor Marion Donaldson *(to 29.01.19)*
Councillor Kate Campbell *(to 02.05.19)*
Councillor Maureen Child *(from 07.02.19 to 22.08.19)*
Councillor Claire Miller *(to 27.06.19)*
Councillor Iain Whyte *(to 27.06.19)*

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2019

	Note	2018/19			2017/18		
		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	26	-	26	-	-	-
<i>Investments</i>	2	79	-	79	89	-	89
Total		<u>105</u>	<u>-</u>	<u>105</u>	<u>89</u>	<u>-</u>	<u>89</u>
Expenditure on:							
<i>Charitable activities</i>	3, 4	(38)	-	(38)	(100)	-	(100)
Total		<u>(38)</u>	<u>-</u>	<u>(38)</u>	<u>(100)</u>	<u>-</u>	<u>(100)</u>
<i>Net gains / (losses) on investments</i>	16	-	132	132	-	9	9
Total		<u>-</u>	<u>132</u>	<u>132</u>	<u>-</u>	<u>9</u>	<u>9</u>
Net income / (expenditure)		<u>67</u>	<u>132</u>	<u>199</u>	<u>(11)</u>	<u>9</u>	<u>(2)</u>
Net movement in funds		<u>67</u>	<u>132</u>	<u>199</u>	<u>(11)</u>	<u>9</u>	<u>(2)</u>
Reconciliation of funds							
<i>Total funds brought forward</i>		<u>5,574</u>	<u>9,095</u>	<u>14,669</u>	<u>5,585</u>	<u>9,086</u>	<u>14,671</u>
Total funds carried forward	17	<u><u>5,641</u></u>	<u><u>9,227</u></u>	<u><u>14,868</u></u>	<u><u>5,574</u></u>	<u><u>9,095</u></u>	<u><u>14,669</u></u>

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2019

		2018/19			2017/18		
	Note	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>	5	5,317	-	5,317	5,275	-	5,275
<i>Other Heritage Assets</i>	6	-	7,020	7,020	-	7,020	7,020
<i>Investments</i>	7	-	2,207	2,207	-	2,075	2,075
Total fixed assets		5,317	9,227	14,544	5,275	9,095	14,370
Current Assets:							
<i>Cash at Bank</i>	8	331	-	331	313	-	313
<i>Debtors</i>	9	20	-	20	16	-	16
Total current assets		351	-	351	329	-	329
Liabilities:							
<i>Creditors due within one year</i>	10	(27)	-	(27)	(30)	-	(30)
Total Liabilities		(27)	-	(27)	(30)	-	(30)
Net Current Assets		324	-	324	299	-	299
Total Net Assets		5,641	9,227	14,868	5,574	9,095	14,669
The funds of the charity:							
<i>Unrestricted Funds</i>	17	1,264	-	1,264	1,197	-	1,197
<i>Endowment Funds</i>	17	-	2,226	2,226	-	2,094	2,094
<i>Revaluation Reserve</i>	17	4,377	7,001	11,378	4,377	7,001	11,378
Total Charity Funds		5,641	9,227	14,868	5,574	9,095	14,669

The unaudited accounts were issued on 14 June 2019. The audited accounts were approved and authorised for issue on 26 September 2019.

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 2019

	31 March 2019		31 March 2018
	£'000	£'000	£'000
Operating Activities			
<i>Dividend Income and Interest received (Note 2)</i>	(62)		(73)
<i>Receipt of Prior Year Accrued Interest (Note 2)</i>	(16)		-
<i>Grant Income for Purchase of Art (Note 2 and 9)</i>	(25)		-
Cash inflows generated from operating activities		(103)	(73)
<i>Cash paid to Schools and Pupils (Note 3)</i>	12		11
<i>Cash paid for Usher Hall Grand Piano (Note 3)</i>	-		65
<i>Cash paid for Purchase of Art (Note 5)</i>	42		-
<i>Cash paid to the Council</i>	31		17
Cash outflows generated from operating activities		85	93
Net cash (inflows) / outflows from operating activities		(18)	20
Investing Activities			
<i>Additional Investment into COIF Charities Investment Fund</i>	-		-
Net cash flows from investing activities		-	-
Net cash flows from financing activities		-	-
Net (increase) / decrease in cash and cash equivalents		(18)	20
	April 2018		April 2017
<i>Cash and cash equivalents (Note 8)</i>	313		333
	March 2019		March 2018
<i>Cash and cash equivalents (Note 8)</i>	331		313
Net (increase) / decrease in cash and cash equivalents		(18)	20

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2019

1 Accounting policies

a) Basis of preparation

The 2018/19 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 Charities SORP (FRS 102). Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

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 to use the remaining funds for the same purpose was approved by Committee on 23 January 2018. OSCR have granted consent to wind up the Trust and this will be progressed once the log cabin and storage space has been completed.

The financial statements for Boyd Anderson have been prepared using a break-up basis of accounting as it is considered that it is not a going concern.

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. The critical judgements and estimates for the Trusts are included in note (j).

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 Heritage Assets. 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, it is probable that the income will be received and the amount can be measured reliably. Such income is deferred when the charitable trust has to fulfil conditions before becoming entitled to it.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2019

1 Accounting policies - continued

e) Expenditure

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

f) Heritage 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.

Heritage Assets 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.

g) Investments

Investments are included at market value at the balance sheet date in accordance with the principles of the Charities SORP (FRS 102). Any gain or loss on revaluation is shown on the Statement of Financial Activities.

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.

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.

h) Cash and cash equivalents

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

i) 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 Charities SORP (FRS 102). 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 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.

j) Critical judgements and estimates

The preparation of financial statements in compliance with Charities SORP (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 2019

2 Analysis of Income	2018/19	2017/18
	£'000	£'000
<i>Dividend income - received</i>	62	73
<i>Dividend income - accrued</i>	17	16
<i>Jean F. Watson grant received for purchase of art</i>	26	-
Total Income	<u>105</u>	<u>89</u>
3 Analysis of Expenditure on Charitable Activities	2018/19	2017/18
	£'000	£'000
<i>Edinburgh Education Trust - Grants to Individuals</i>	(10)	(9)
<i>Edinburgh Education Trust - Grants to Schools</i>	(2)	(2)
<i>Lauriston Castle - Maintenance of Assets</i>	(2)	(2)
<i>Nelson Halls - Maintenance of Assets</i>	(7)	(8)
<i>The Royal Scots Trusts - Maintenance of Assets</i>	(1)	(1)
<i>Usher Hall - Purchase of Grand Piano</i>	-	(65)
	<u>(22)</u>	<u>(87)</u>
<i>Allocation of support costs</i>	(16)	(13)
Total Expenditure on Charitable Activities	<u>(38)</u>	<u>(100)</u>

There was no expenditure incurred on raising funds in 2018/19. (£nil 2017/18)

4 Analysis of Support Costs	Support	Governance	Total
	£'000	£'000	£'000
<i>Edinburgh Education Trust</i>	(2)	(2)	(4)
<i>Boyd Anderson</i>	(2)	(3)	(5)
<i>Jean F. Watson</i>	(3)	(4)	(7)
Total Support Costs	<u>(7)</u>	<u>(9)</u>	<u>(16)</u>

The basis of allocation for the support and governance 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 2019. 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 2019

5 Jean F. Watson Collection	2018/19	2017/18
	£'000	£'000
<i>Balance brought forward at 1 April</i>	5,275	5,275
<i>Purchases during the year</i>	42	-
Balance carried forward at 31 March	<u><u>5,317</u></u>	<u><u>5,275</u></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.

There have been various purchases in the last five financial years per the list below and no disposals. In 2015/16, *The Crags at Dawn* by Catharine Davison, in 2016/17, *Moon* by Alison Watt, in 2017/18 *Princes Street Station, Edinburgh* by William Wilson.

In 2018/19, 14 Original Prints from D'Arcy Thompson, *Kiyembe Lane* by Bronwen Sleigh, *7 February 2017* by Charles Poulsen, a griffin silver sculpture by Bryony Knox, *Understanding versus Sympathy* by Roderick Buchanan, *Three Bridge Evening* by Kate Downie, a suite of photographs by Robin Gillanders, three photograph artworks by Flannery O'Kafka and a silver coffee urn were purchased.

These are classified as heritage assets.

6 Analysis of Other Heritage Assets	2018/19	2017/18
	£'000	£'000
<i>Nelson Halls</i>	19	19
<i>Lauriston Castle</i>	7,001	7,001
Total Other Heritage Assets	<u><u>7,020</u></u>	<u><u>7,020</u></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 2018/19 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 heritage assets 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 5 above.

7 Analysis of Investments	At 31/3/18	Realised	Purchases	Net Gain on	At
	£'000	Investments	at cost	revaluation	31/3/19
	£'000	£'000	£'000	£'000	£'000
<i>Edinburgh Education Trust</i>	880	-	-	57	937
<i>Jean F. Watson</i>	917	-	-	58	975
<i>Lauriston Castle</i>	41	-	-	2	43
<i>Nelson Halls</i>	206	-	-	13	219
<i>The Royal Scots Trust</i>	31	-	-	2	33
Total Investments	<u><u>2,075</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>132</u></u>	<u><u>2,207</u></u>

The City of Edinburgh Council Charitable Trusts
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8 Analysis of Cash and Cash Equivalents	2018/19	2017/18
	£'000	£'000
<i>Edinburgh Education Trust</i>	81	65
<i>Boyd Anderson</i>	109	116
<i>Jean F. Watson</i>	129	119
<i>Lauriston Castle</i>	1	1
<i>Nelson Halls</i>	9	10
<i>The Royal Scots Trust</i>	2	2
Total Cash and Cash Equivalents	331	313

9 Analysis of Debtors	2018/19	2017/18
	£'000	£'000
<i>Edinburgh Education Trust</i>	7	7
<i>Jean F. Watson</i>	11	7
<i>Nelson Halls</i>	2	2
Total Debtors	20	16

The figures above predominately relate to the accrued interest for the CCLA and M&G investments. A further £3,400 for Jean F. Watson relates to grant funding for purchases of art which has been awarded but not yet received.

10 Analysis of Creditors Due Within One Year	Unrestricted funds	Endowment funds	2018/19 Total	2017/18 Total
	£'000	£'000	£'000	£'000
<i>Amounts due</i>	(27)	-	(27)	(30)
Total Liabilities	(27)	-	(27)	(30)

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

11 Analysis of Financial Assets and Liabilities	2018/19	2017/18
	£'000	£'000
<i>Financial assets measured at amortised cost</i>	351	329
<i>Financial liabilities measured at amortised cost</i>	(27)	(30)
<i>Financial assets measured at market value</i>	2,207	2,075
Total Financial Assets and Liabilities	2,531	2,374

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 £16,378 was owed to the Council by the Trusts (2017-18 £16,072). Detail of the total amounts due per Trust is available in Note 17.

13 Prior Year Adjustment

There have been no prior year adjustments that require disclosure within these accounts.

14 Post Balance Sheet Event

There have been no events since 31 March 2019, 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 £7,800 for 2018/19. The figure for 2017/18 was £9,000 but only £7,500 was accounted for in that financial year, therefore the total in 2018/19 accounts is £9,300. This fee is included in the overall governance costs and allocated proportionately to each individual Trust.

The City of Edinburgh Council Charitable Trusts
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For the year ended 31 March 2019

16 (i) Trusts at Market Value - Year Ended 31 March 2019

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Funds carried forward £'000
<i>Edinburgh Education Trust</i>	SC042754	948	32	(16)	57	1,021
<i>Boyd Anderson</i>	SC025067	109	1	(5)	-	105
<i>Jean F. Watson</i>	SC018971	6,311	61	(6)	58	6,424
<i>Lauriston Castle</i>	SC020737	7,041	2	(2)	2	7,043
<i>Nelson Halls</i>	SC018946	228	8	(8)	13	241
<i>The Royal Scots Trust</i>	SC018945	32	1	(1)	2	34
Total Funds		14,669	105	(38)	132	14,868

16 (ii) Trusts at Market Value - Year Ended 31 March 2018

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Funds carried forward £'000
<i>Edinburgh Education Trust</i>	SC042754	919	38	(14)	5	948
<i>Boyd Anderson</i>	SC025067	113	-	(4)	-	109
<i>Jean F. Watson</i>	SC018971	6,274	39	(5)	3	6,311
<i>Lauriston Castle</i>	SC020737	7,041	2	(2)	-	7,041
<i>Nelson Halls</i>	SC018946	227	9	(9)	1	228
<i>The Royal Scots Trust</i>	SC018945	32	1	(1)	-	32
<i>Usher Hall</i>	SC030180	65	-	(65)	-	0
Total Funds		14,671	89	(100)	9	14,669

The City of Edinburgh Council Charitable Trusts
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17 (i) Trusts at Market Value - Year Ended 31 March 2019

Charity Name	SC Number	Revaluation Reserve										2018/19 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Other Heritage Assets	Heritage Assets incl. Lauriston Castle	Investments	Investments Market Value Adjustment	Investments Market Value Adjustment	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<i>Edinburgh Education Trust</i>	SC042754	81	7	(4)	-	-	-	-	844	93	1,021	
<i>Boyd Anderson</i>	SC025067	109	-	(4)	-	-	-	-	-	-	105	
<i>Jean F. Watson</i>	SC018971	129	11	(8)	940	4,377	-	-	881	94	6,424	
<i>Lauriston Castle</i>	SC020737	1	-	(2)	-	-	7,001	-	39	4	7,043	
<i>Nelson Halls</i>	SC018946	9	2	(8)	-	-	-	19	198	21	241	
<i>The Royal Scots Trust</i>	SC018945	2	-	(1)	-	-	-	-	30	3	34	
Total Funds		331	20	(27)	940	4,377	7,001	19	1,992	215	14,868	

17 (ii) Trusts at Market Value - Year Ended 31 March 2018

Charity Name	SC Number	Revaluation Reserve										2017/18 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Other Heritage Assets	Heritable Property incl. Lauriston Castle	Investments	Investments Market Value Adjustment	Investments Market Value Adjustment	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<i>Edinburgh Education Trust</i>	SC042754	65	7	(4)	-	-	-	-	844	36	948	
<i>Boyd Anderson</i>	SC025067	116	-	(7)	-	-	-	-	-	-	109	
<i>Jean F. Watson</i>	SC018971	119	7	(7)	898	4,377	-	-	881	36	6,311	
<i>Lauriston Castle</i>	SC020737	1	-	(2)	-	-	7,001	-	39	2	7,041	
<i>Nelson Halls</i>	SC018946	10	2	(9)	-	-	-	19	198	8	228	
<i>The Royal Scots Trust</i>	SC018945	2	-	(1)	-	-	-	-	30	1	32	
<i>Usher Hall</i>	SC030180	0	-	-	-	-	-	-	-	-	0	
Total Funds		313	16	(30)	898	4,377	7,001	19	1,992	83	14,669	

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

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 2019 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, 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 2019 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 (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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 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 basis of accounting

In respect of the Miss Jean Fletcher Watson Bequest, The Edinburgh Education Trust, Nelson Halls Trust, Lauriston Castle Trust and the Royal Scots (The Royal Regiment) Monument Trust Fund, we have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Emphasis of matter – Basis of preparation

In respect of the City of Edinburgh Council Charitable Funds, we draw attention to note 1 in the financial statements, which describes the basis of preparation. The trustees have prepared the financial statements for this trust using a break-up basis of accounting as they consider that it is not a going concern. Our opinion is not modified in respect of this matter.

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.

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

Auditor's responsibilities for the audit of the financial statements

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and 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, our responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

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.

Use of our report

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

Nick Bennett (for and on behalf of Scott-Moncrieff Audit Services)

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