

**The City of Edinburgh Council Charitable Trusts
Audited Trustee's Annual Report and Accounts
for the year ended 31 March 2020**

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

Azets Audit Services
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 Securities Ltd
10 Fenchurch Avenue
London
EC3M 5AG

Trustee's Annual Report 2019/20

The trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2020. 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 indicators;
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 2019/20

Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2020 are as follows:

Official Name (<i>Name Used in Accounts</i>)	Scottish Charity Registration Number	Purpose	Market Value at 31/3/20 £'000
Jean Fletcher Watson (<i>Jean F. Watson</i>)	SC018971	The purchase of works of art by artists who have connections with the city	6,451
Edinburgh Education Trust (<i>Edinburgh Education Trust</i>)	SC042754	To fund activities to support Looked after Children and school prizes	1,011
Nelson Halls Trust (<i>Nelson Halls</i>)	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	235
City of Edinburgh Council Charitable Funds (<i>Boyd Anderson</i>)	SC025067	Provision of outdoor education and skiing opportunities	101
Lauriston Castle Trust (<i>Lauriston Castle</i>)	SC020737	To make the artefacts and buildings available to be viewed by the public	7,042
The Royal Scots (The Royal Regiment) Monument Trust Fund (<i>The Royal Scots Trust</i>)	SC018945	Maintenance of the Royal Scots Monument	35
Total			14,875

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

Jean F. Watson purchased artwork totalling £56,579 during the financial year, with funding of £26,530 provided to contribute towards these purchases, as set out in Note 5.

Additional purchases were approved at the **Committee on the Jean F Watson Bequest** meeting on 7 February 2020 and will be progressed and finalised throughout the next financial year.

The Edinburgh Education Trust funded £8,408 of activities for looked after children (£9,663 2018/19) and £2,347 of school prizes (£2,178 2018/19). 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 £66,000 of the Boyd Anderson funds would be used to build a modular log cabin type classroom and storage space at Lagganlia.

Further to that, a proposal to use the remaining Boyd Anderson funds for the same purpose was approved by **Committee on 23 January 2018**. A preferred contractor has been appointed following a tender process. However the work has been delayed due to the impact of Covid-19. The funds will be transferred when the construction work at Lagganlia is completed. 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 2019/20 used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2019/20 was used to cover some of the running costs. Investment of £7,000 was realised in 2019/20, under delegated authority, to cover the planned cleaning work to be carried out at the Royal Scots Monument in 2020/21.

Trustee's Annual Report 2019/20

Achievements and Performance

Financial Investments Performance

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

Charibond Charities Fixed Interest Common Investment Fund

The investment held in Charibond is 20% of the total Trusts' investments.

Charibond recorded a total return of 3.8% over the 12 months to 15 November 2019. The FTSE British Government All Stocks Index - a broad index of UK government bonds - returned 8.8% over the same period.

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

	2019	2018	2017	2016	2015
Charibond	3.8%	0.0%	1.2%	9.6%	3.0%

This outcome reflects the several global themes that continue to influence financial markets during the period. These included signs that economic growth was slowing. However the UK government bonds found support in this environment, helped by their perceived safe-haven status in times of uncertainty. The preference, in the fund's overall positioning, remains to hold a bias in the government bond market towards shorter dated securities.

M&G Securities reported in November 2019 that the Charibond Charities Fixed Interest Common Investment Fund will be merged into a new fund; M&G Charibond Charities Fixed Interest Fund. For this reason, the annual fund standard reporting period has been extended by two weeks to 15 November. The way the fund is managed will remain unchanged.

As at 15 November 2019, the distribution yield of the fund was 2.8%. For comparison, on 1 November 2018, the fund's distribution yield was 2.3%.

COIF Charities Investment Fund

Investment held in COIF Charities Investment Fund is 80% of the total Trusts' investments.

The single year total return performance (net of expenses) for the COIF Charities Investment Fund for the 12 months to end March is outlined in the table below;

	2020	2019	2018	2017	2016	2015
Fund	-0.1%	12.2%	6.0%	20.0%	0.4%	14.7%
Comparator	-6.4%	8.5%	2.2%	20.4%	-1.5%	11.1%

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

	1 year	3 years p.a.	5 years p.a.
Peer group	-7.9%	-0.4%	2.4%
Market Comparator	-6.4%	1.2%	4.2%

The Peer Group measure represents the total returns reported for the ARC Charities Steady Growth Index.

Market comparator: For the Investment Fund's total return objective (CPI+5% p.a. on average) it is only possible to assess progress over a long time horizon such as the course of a business cycle, which may be ten years or more. The market comparator, which is not a target or a constraining benchmark, is intended to help investors understand the effects of the Fund's active management in different market circumstances, and to see how the Fund's returns vary in the shorter term from those that might be experienced by a more passive investor. The current market comparator, in summary, is 45% overseas equities, 30% UK equities, 15% UK government bonds (gilts), 5% UK commercial property & 5% LIBID.

As at 31 March 2020 the actual holdings in the COIF Charities Investment Fund were; 60.2% in overseas equities, 12.6% in UK equities, 20.5% in Property/Other Assets, 0.5% in Fixed Interest and 6.2% in Cash. The overseas equities are split as follows: - North America 38.69%, Europe 13.65%, Pacific Ex. Japan 6.23%, Japan 1.64%.

In the closing weeks of the period under review, investment markets fell sharply in response to the unfolding Covid-19 outbreak. Investor confidence will take time to recover, and volatility must be expected to remain elevated. The recovery will take place against a changed economic backdrop, of increased government debt, there will be companies and whole sectors which have been materially weakened. This argues for a continued focus on quality, concentrating portfolios in areas with secure cash flows and with growth prospects which are not dependent on economic trends. Although recent market conditions have been difficult, they have resulted in some excellent opportunities for those able to take a medium to long term view.

The forecast annual income from the COIF Charities Investment Fund is £61,365, which represents an income yield of around 3.52% based on the current market value of investments.

Trustee's Annual Report 2019/20

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2020. 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 £98,000 in 2019/20 (2018/19 £105,000). This decrease in income compared to the previous year is primarily due to the decrease in the distribution yield of the investment funds. An analysis of income is available in Note 2.

The expenditure in the year is slightly lower than last year at £34,000 compared to £38,000. 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 decreased to £2.143m from £2.207m. This decrease is as a result of the fall in the market value of the investments at the end of the first quarter of 2020 due to the pandemic crisis, and the sale of part of the investment held for The Royal Scots Trust. 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 £30,000 increase in cash is further analysed in the Cash Flow Statement (£18,000 increase in 2018/19). The detail of the breakdown of the £41,000 owed by the Trusts as at 31 March 2020 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 has averaged around £60,000 in the last two years. 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 £6,451,000, consisting of £950,000 in Investments, £5,374,000 in Fixed Assets, £128,000 in Cash, £7,000 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 £1,011,000, consisting of £912,000 in Investments, £100,000 in Cash, £7,000 of debtors less Creditors of £8,000.

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 £235,000, consisting of £213,000 in Investments, £19,000 in Heritage Assets, £15,000 in Cash, £2,000 of debtors less Creditors of £14,000.

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 £7,042,000, consisting of £7,001,000 in Heritage Assets, £42,000 in Investments, £2,000 in Cash less Creditors of £3,000. 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 £35,000, consisting of £26,000 in Investments, £1000 in Heritage Assets and £10,000 in Cash less Creditors of £2,000. Heritage Assets are the Royal Scots Monument, which were transferred from the Common Good Fund following the Common Good asset register review.

Trustee's Annual Report 2019/20

Financial Review - continued

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.

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 2020/21 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 2020/21 to ensure that they are also aware of the likely money available in 2021/22 to enable longer-term planning.

Signed on behalf of the trustee of the charities:

Councillor Rob Munn

Convener (Interim) of the Finance and Resources Committee

Date:

The other members of the Finance and Resources Committee as at 31 March 2020 are outlined below:

Councillor Alasdair Rankin (*Convener up until 25.08.20*)
Councillor Joan Griffiths (*Vice-Convener*)
Councillor Chas Booth
Councillor Graeme Bruce
Councillor Gavin Corbett
Councillor George Gordon
Councillor Graham Hutchison
Councillor Andrew Johnston
Councillor Neil Ross
Councillor Mandy Watt

Members of the Committee on Jean F. Watson Bequest as at 31 March 2020:

Councillor Catherine Fullerton (*Convener*)
Councillor Robert Aldridge
Councillor Karen Doran
Councillor Amy McNeese-Mechan
Councillor Max Mitchell
Councillor Joanna Mowat
Councillor Gordon Munro
Councillor Susan Rae
Councillor Cameron Rose

The following were also members during the reporting period:

Councillor Kate Campbell (*to 02.05.19*)
Councillor Maureen Child (*from 07.02.19 to 22.08.19*)
Councillor Lezley Marion Cameron (*from 02.05.19 to 21.10.19*)
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 2020

	Note	2019/20			2018/19		
		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	27	1	28	26	-	26
<i>Investments</i>	2	71	-	71	79	-	79
Total		<u>98</u>	<u>1</u>	<u>99</u>	<u>105</u>	<u>-</u>	<u>105</u>
Expenditure on:							
<i>Charitable activities</i>	3, 4	(34)	-	(34)	(38)	-	(38)
Total		<u>(34)</u>	<u>-</u>	<u>(34)</u>	<u>(38)</u>	<u>-</u>	<u>(38)</u>
<i>Net gains / (losses) on investments</i>	16	-	(58)	(58)	-	132	132
Total		<u>-</u>	<u>(58)</u>	<u>(58)</u>	<u>-</u>	<u>132</u>	<u>132</u>
Net income / (expenditure)		<u>64</u>	<u>(57)</u>	<u>7</u>	<u>67</u>	<u>132</u>	<u>199</u>
Transfers between funds		<u>6</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net movement in funds		<u>70</u>	<u>(63)</u>	<u>7</u>	<u>67</u>	<u>132</u>	<u>199</u>
Reconciliation of funds							
<i>Total funds brought forward</i>		<u>5,641</u>	<u>9,227</u>	<u>14,868</u>	<u>5,574</u>	<u>9,095</u>	<u>14,669</u>
Total funds carried forward	17	<u><u>5,711</u></u>	<u><u>9,164</u></u>	<u><u>14,875</u></u>	<u><u>5,641</u></u>	<u><u>9,227</u></u>	<u><u>14,868</u></u>

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2020

		2019/20			2018/19		
	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	5,374	-	5,374	5,317	-	5,317
<i>Other Heritage Assets</i>	6	-	7,021	7,021	-	7,020	7,020
<i>Investments</i>	7	-	2,143	2,143	-	2,207	2,207
Total fixed assets		5,374	9,164	14,538	5,317	9,227	14,544
Current Assets:							
<i>Cash at Bank</i>	8	361	-	361	331	-	331
<i>Debtors</i>	9	16	-	16	20	-	20
Total current assets		377	-	377	351	-	351
Liabilities:							
<i>Creditors due within one year</i>	10	(40)	-	(40)	(27)	-	(27)
Total Liabilities		(40)	-	(40)	(27)	-	(27)
Net Current Assets		337	-	337	324	-	324
Total Net Assets		5,711	9,164	14,875	5,641	9,227	14,868
The funds of the charity:							
<i>Unrestricted Funds</i>	17	1,334	-	1,334	1,264	-	1,264
<i>Endowment Funds</i>	17	-	2,163	2,163	-	2,226	2,226
<i>Revaluation Reserve</i>	17	4,377	7,001	11,378	4,377	7,001	11,378
Total Charity Funds		5,711	9,164	14,875	5,641	9,227	14,868

The unaudited accounts were issued on 30 June 2020. The audited accounts were issued on 5 November 2020.

Signed on behalf of the charity trustee:

Councillor Rob Munn
Convener (Interim) of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Cash Flow Statement
As at 31 March 2020

	31 March 2020		31 March 2019	
	£'000	£'000	£'000	
Operating Activities				
<i>Dividend Income and Interest received (Note 2)</i>	(55)		(62)	
<i>Receipt of Prior Year Accrued Interest (Note 2)</i>	(17)		(16)	
<i>Grant Income for Purchase of Art (Note 2)</i>	(27)		(25)	
Cash inflows generated from operating activities		(99)	(103)	
<i>Cash paid to Schools and Pupils (Note 3)</i>	11		12	
<i>Cash paid for Purchase of Art (Note 5)</i>	57		42	
<i>Cash paid to the Council</i>	8		31	
Cash outflows generated from operating activities		76	85	
Net cash (inflows) / outflows from operating activities		(23)	(18)	
Investing Activities				
<i>Proceeds from Realised Investment</i>	(7)		-	
Net cash flows from investing activities		(7)	-	
Net cash flows from financing activities		-	-	
Net (increase) / decrease in cash and cash equivalents		(30)	(18)	
	April 2019		April 2018	
<i>Cash and cash equivalents (Note 8)</i>	331		313	
	March 2020		March 2019	
<i>Cash and cash equivalents (Note 8)</i>	361		331	
Net (increase) / decrease in cash and cash equivalents		(30)	(18)	
Analysis of changes in Net Debt				
	1 April 2019	Net Cash Flows	Non-Cash Changes	31 March 2020
	£	£	£	£
Cash at Bank	331	30	-	361
Total Funds	331	30	-	361

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 2020 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 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis 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 Azets Audit Services

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date.....

Azets Audit Services is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006