

**The City of Edinburgh Council Charitable Trusts
Audited Trustee's Annual Report and Accounts
for the year ended 31 March 2022**

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 authority 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's Report, however, the individual members are not Trustees of the charitable trusts.

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 five of the charities can be found on page 3 of this report and in the accounts. Separate accounts has been prepared for City of Edinburgh Council Charitable Funds using a break-up basis of accounting. OSCR has granted consent to wind up the Trust.

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
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
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 2021/22

The Trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2022. 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 (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 Trustee. Risk management is covered as part of the Council's general risk management procedures. The Council is currently in the process of conducting a review of its administration of Trusts.

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."

Responsibilities of the Trustee

Charity law requires the charity Trustee 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. 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 2021/22

Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2022 are as follows:

Official Name (<i>Name Used in Accounts</i>)	Scottish Charity Registration Number	Purpose	Market Value at 31/3/22 £'000
Miss Jean Fletcher Watson Bequest (<i>Jean F. Watson</i>)	SC018971	The purchase of works of art by artists who have connections with the city	6,753
The Edinburgh Education Trust (<i>Edinburgh Education Trust</i>)	SC042754	To fund activities to support Looked after Children and school prizes	1,283
Nelson Halls Trust (<i>Nelson Halls</i>)	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	287
Lauriston Castle Trust (<i>Lauriston Castle</i>)	SC020737	To make the artefacts and buildings available to be viewed by the public	7,676
Royal Scots (The Royal Regiment) Monument Trust Fund (<i>The Royal Scots Trust</i>)	SC018945	Maintenance of the Royal Scots Monument	35
Total			16,034

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

Jean F. Watson purchased artwork totalling £36,986 during the financial year, with funding of £16,975 provided to contribute towards these purchases, as set out in Notes 2 and 5.

Additional purchases were approved at the **Committee on the Jean F Watson Bequest** meeting on 17 December 2021. The acquisition process was yet to be completed as at 31st March 2022, but will be progressed and finalised in the next financial year.

The Edinburgh Education Trust funded £2,028 of activities for looked after children (£1,749 2020/21) and £1,300 of school prizes (£1,050 2020/21). An improved process has been introduced to ensure that this funding is allocated to the recipients in a more timely and direct manner. Unused funds from the current year will be rolled forward into the new year.

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

Lauriston Castle is open to the public. While the castle was closed on public health grounds during the pandemic, both it and the grounds are now open to the public. The interest received in 2021/22 is used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2021/22 was used to cover some of the running costs.

The Statement of Financial Activities includes the total income from and expenditure of running and maintaining Lauriston Castle, Nelson Halls and the Royal Scots Monument. This includes the support funding from the City of Edinburgh Council towards the operating and maintenance costs of these assets.

Trustee's Annual Report 2021/22

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 Fund

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

Charibond recorded a total return of -0.55% over the 12 months to 15 November 2021. The 50% ICE Bofaml 1-15 Gilt Index & 50% ICE Bofaml Non-Gilt Index - a composite index of UK Gilt and non-Gilt, returned -1.22% over the same period.

The single year performance for the last five years ending 15 November is outlined in the table below;

	2021	2020	2019	2018	2017
Charibond	-0.6%	3.3%	3.8%	0.0%	1.2%

The fund invests mainly in UK government bonds (gilts) and high quality, sterling-denominated corporate bonds. In terms of its overall positioning, the fund favoured holding a mix of these assets throughout the period, but maintained a bias towards shorter dated gilts within the fund's allocation to government bonds.

As at 15 November 2021, the distribution yield of the fund was 2.05%. For comparison, on 15 November 2020, the fund's distribution yield was 2.24%.

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;

	2022	2021	2020	2019	2018	2017
Fund	11.6%	24.3%	-0.1%	12.2%	6.0%	20.0%
Comparator	11.7%	22.9%	-6.4%	8.5%	2.2%	20.4%

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.
Fund	11.6%	11.5%	10.3%
Peer group	11.7%	8.7%	7.3%

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 75% overseas equities, 15% UK government bonds (gilts), 5% UK commercial property & 5% LIBID.

As at 31 March 2022 the actual holdings in the COIF Charities Investment Fund were; 64.1% in overseas equities, 8.5% in UK equities, 4.6% in Property, 9.1% in Infrastructure & Operating Assets, 5.2% in Other and 8.5% in Cash. The overseas equities are split as follows: - North America 44.6%, Europe 14.4%, Pacific Ex. Japan 3.6%, Japan 0.8%, Other 0.8%.

The investment objective of the Fund is to provide real long-term growth in capital and income from a portfolio managed within a clear and consistent risk framework. After a strong year in 2021, equity markets came under pressure as a result of the impact of rising inflation. Subsequently events in Ukraine became the dominant factor in market movement. Looking ahead, it is anticipated that global economic growth will be lower than previously forecast but should remain in positive territory.

The forecast annual income from the COIF Charities Investment Fund is £63,903, which represents an income yield of around 2.80% based on the current market value of investments.

Trustee's Annual Report 2021/22

Financial Review

The financial statements present the financial position of the Trusts for the year ended 31 March 2022. This section describes briefly the key points of each statement. Financial statements and notes have been rounded to the nearest thousand, and as such, are subject to rounding differences. All of the unrestricted funds of the charities are general and not designated.

The Statement of Financial Activities shows the total income to be £427,000 in 2021/22 (2020/21 £366,000). This increase in income compared to the previous year is primarily due to increased Grant receipts for the purchase of arts and an increased need for support funding from the City of Edinburgh Council compared to the prior year. An analysis of income and art purchases is available in Notes 2 and 5.

The expenditure in the year is higher than last year at £364,000 compared to £318,000. 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 operating and ground maintenance costs.

The Balance Sheet Statement shows the fixed asset investments have increased to £2.668m from £2.504m. This increase is as a result of a net gain in the market valuation of the investments at the end of the first quarter of 2022. Movements on the valuation of the investments are further analysed in Notes 7, 16 and 17.

Fixed asset properties and collections have been included in the accounts at their most recent valuations. An external revaluation of Lauriston Castle collections was completed in November 2020 and Lauriston Castle building was revalued in March 2019, with further details available in Notes 6 and 16.

The £21,000 increase in cash is further analysed in the Cash Flow Statement (£32,000 increase in 2020/21). The detail of the breakdown of the £22,000 owed by the Trusts as at 31 March 2022 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 the Edinburgh Education Trust averages around £30,000. 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 Trust's bank account. The Trust has total funds of £1,283,000, consisting of £1,140,000 in Investments, £142,000 in Cash, £7,000 of debtors less Creditors of £6,000.

The annual income for Jean F. Watson has averaged around £45,000 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 Trust's bank account. The Trust has total funds of £6,753,000, consisting of £1,179,000 in Investments, £5,419,000 in Fixed Assets, £154,000 in Cash, £7,000 of debtors less Creditors of £6,000.

The annual income for Nelson Halls averages around £41,000, including the funding from the City of Edinburgh Council to support operating cost. This income is mainly used to fund the operating and maintenance costs of the Halls. The Trust has total funds of £287,000, consisting of £265,000 in Investments, £19,000 in Heritage Assets, £8,000 in Cash, £2,000 of debtors less Creditors of £7,000.

The annual income for Lauriston Castle averages around £260,000, including the funding from the City of Edinburgh Council to support operating cost. This income is mainly used to fund the operating and maintenance costs of the Castle. The Trust has total funds of £7,676,000, consisting of £7,625,000 in Heritage Assets, £52,000 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 £21,000, including the funding from the City of Edinburgh Council to support maintenance cost. This income is mainly used to fund the cost of maintenance of the Monument. The Trust has total funds of £35,000, consisting of £32,000 in Investments, £1,000 in Heritage Assets and £3,000 in Cash less Creditors of £1,000.

Trustee's Annual Report 2021/22

Financial Review - continued

The total support funding from the City of Edinburgh Council across the Trusts in the year is £299,817 (2020/21 £236,310).

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 Charitable 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 the five Trusts covered in this report remaining. Separate accounts has been prepared for Boyd Anderson Trust using a break-up basis of accounting.

The Trusts continue to make improvements to the processes regarding the transfer of funds 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 2022/23 to ensure that they are also aware of the likely money available in 2023/24 to enable longer-term planning.

Signed on behalf of the Trustee of the charities:

Councillor Mandy Watt

Convener of the Finance and Resources Committee

Date:

The other members of the Finance and Resources Committee as at 31 March 2022 are outlined below:

Councillor Alasdair Rankin
Councillor Andrew Johnston
Councillor Chas Booth
Councillor George Gordon
Councillor Graeme Bruce
Councillor Graham Hutchison
Councillor Joan Griffiths
Councillor Neil Ross
Councillor Rob Munn (Convener up until 05.05.22)

Members of the Committee on Jean F. Watson Bequest as at 31 March 2022:

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

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2022

	Note	2021/22			2020/21		
		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	17	-	17	9	-	9
<i>Investments</i>	2	71	-	71	71	-	71
<i>Donations and Legacies</i>	2	300	-	300	236	-	236
<i>Other trading activities</i>	2	39	-	39	50	-	50
Total		<u>427</u>	<u>-</u>	<u>427</u>	<u>366</u>	<u>-</u>	<u>366</u>
Expenditure on:							
<i>Charitable activities</i>	3	(351)	-	(351)	(306)	-	(306)
<i>Governance costs</i>	3, 4	(13)	-	(13)	(12)	-	(12)
Total		<u>(364)</u>	<u>-</u>	<u>(364)</u>	<u>(318)</u>	<u>-</u>	<u>(318)</u>
<i>Net gains / (losses) on investments</i>	16	-	164	164	-	361	361
Total		<u>-</u>	<u>164</u>	<u>164</u>	<u>-</u>	<u>361</u>	<u>361</u>
Net income / (expenditure)		<u>63</u>	<u>164</u>	<u>227</u>	<u>48</u>	<u>361</u>	<u>409</u>
Transfers between funds		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other recognised gains/(losses):							
<i>Gains on revaluation of fixed assets</i>	16	-	-	-	-	624	624
Total		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624</u>	<u>624</u>
Net movement in funds:		<u>63</u>	<u>164</u>	<u>227</u>	<u>48</u>	<u>985</u>	<u>1,033</u>
Increase/ (Decrease)		<u>63</u>	<u>164</u>	<u>227</u>	<u>48</u>	<u>985</u>	<u>1,033</u>
Reconciliation of funds							
<i>Total funds brought forward</i>		<u>5,658</u>	<u>10,149</u>	<u>15,807</u>	<u>5,610</u>	<u>9,164</u>	<u>14,774</u>
Total funds carried forward	17	<u>5,721</u>	<u>10,313</u>	<u>16,034</u>	<u>5,658</u>	<u>10,149</u>	<u>15,807</u>

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2022

	Note	2021/22			2020/21		
		Unrestricted funds £'000	Endowment funds £'000	Total funds £'000	Unrestricted funds £'000	Endowment funds £'000	Total funds £'000
Fixed Assets:							
<i>Jean F. Watson Collection</i>	5	5,419	-	5,419	5,382	-	5,382
<i>Other Heritage Assets</i>	6	-	7,645	7,645	-	7,645	7,645
<i>Investments</i>	7	-	2,668	2,668	-	2,504	2,504
Total fixed assets		5,419	10,313	15,732	5,382	10,149	15,531
Current Assets:							
<i>Cash at Bank</i>	8	308	-	308	287	-	287
<i>Debtors</i>	9	16	-	16	15	-	15
Total current assets		324	-	324	302	-	302
Liabilities:							
<i>Creditors due within one year</i>	10	(22)	-	(22)	(26)	-	(26)
Total Liabilities		(22)	-	(22)	(26)	-	(26)
Net Current Assets		302	-	302	276	-	276
Total Net Assets		5,721	10,313	16,034	5,658	10,149	15,807
The funds of the charity:							
<i>Unrestricted Funds</i>	17	1,344	-	1,344	1,281	-	1,281
<i>Endowment Funds</i>	17	-	2,688	2,688	-	2,524	2,524
<i>Revaluation Reserve</i>	17	4,377	7,625	12,002	4,377	7,625	12,002
Total Charity Funds		5,721	10,313	16,034	5,658	10,149	15,807

The audited accounts were issued on 10 November 2022.

Signed on behalf of the charity Trustee:

Councillor Mandy Watt
Convener of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Cash Flow Statement
As at 31 March 2022

	31 March 2022		31 March 2021	
	£'000	£'000	£'000	
Operating Activities				
<i>Dividend Income and Interest received (Note 2)</i>	(55)		(56)	
<i>Receipt of Prior Year Accrued Interest (Note 2)</i>	(15)		(15)	
<i>Grant Income for Purchase of Art (Notes 2, 10)</i>	(17)		(14)	
Cash inflows generated from operating activities		(87)	(85)	
<i>Cash paid to Schools and Pupils (Note 3)</i>	3		3	
<i>Cash paid for Purchase of Art (Note 5)</i>	37		11	
<i>Cash paid to the Council</i>	26		39	
Cash outflows generated from operating activities		66	53	
Net cash (inflows) / outflows from operating activities		(21)	(32)	
Investing Activities				
<i>Proceeds from Realised Investment</i>	-		-	
Net cash flows from investing activities		-	-	
Net cash flows from financing activities		-	-	
Net (increase) / decrease in cash and cash equivalents		(21)	(32)	
<i>Cash and cash equivalents at 1 April (Note 8)</i>	287		255	
<i>Cash and cash equivalents at 31 March (Note 8)</i>	308		287	
Net (increase) / decrease in cash and cash equivalents		(21)	(32)	
Analysis of changes in Net Debt				
	1 April 2021	Net Cash Flows	Non-Cash Changes	31 March 2022
	£	£	£	£
Cash at Bank	287	21	-	308
Total Funds	287	21	-	308

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2022

1 Accounting policies

a) Basis of preparation

The 2021/22 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).

On 23 January 2018 the Finance and Resources Committee approved a proposal to use the remaining Boyd Anderson funds to build a modular log cabin type classroom and storage space at Lagganlia. However, the work was delayed due to the impact of Covid-19 restrictions. As a result, separate accounts have been prepared for Boyd Anderson Trust using a break-up basis of accounting. It is now estimated that the work will be completed by the summer of 2023. OSCR has granted consent to wind up the Trust and this will be progressed once the log cabin and storage space has been completed.

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

The Statement of Financial Activities includes the total income from and expenditure of running and maintaining Lauriston Castle, Nelson Halls and The Royal Scots Monument. This includes the support funding from the City of Edinburgh Council towards the operating and maintenance costs of these assets.

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 (m).

b) 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 Trustee is of the opinion those trusts are a going concern from reviewing activities undertaken, based on expected expenditure commitments in the 12 months following the signing of these financial statements.

c) 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.

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, subject to Finance and Resources Committee approval.

d) 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.

e) Grant and other 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. Sums generated by the direct activities of the Trusts are included as other trading activities income, subject to the conditions above. In-kind support from the Council, equal to the net operating cost of the Trusts during the year after consideration of this income and income from investments, is included within income from donations and legacies.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2022

1 Accounting policies - continued

f) Expenditure

Expenditure is included in the financial statements on an accruals basis and includes sums incurred by the Council in the furtherance of the Trusts' activities.

g) 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. This 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 Lauriston Castle buildings and grounds, Nelson Halls and the Royal Scot Monument.

h) 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.

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 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.

m) 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 reported operating cost for Lauriston Castle incorporates time-based estimates of curatorial and management costs where relevant staff also have responsibility for other Council-operated venues. An estimate of gardening costs, comprising employee and associated materials expenditure, is also included.

The reported operating cost for Nelson Halls is based on the total floorspace (in sqm) covered by the halls as a percentage of the entire floorspace of the libraries or community centres to which they are attached.

The reported expenditure for The Royal Scots Monument is based on the estimated cost, as originally provided by Parks and Greenspace services and adjusted for inflation, for maintaining the specific grounds the monument is situated.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2022

2 Analysis of Income	2021/22	2020/21
	£'000	£'000
<i>Dividend income - received</i>	55	56
<i>Dividend income - accrued</i>	16	15
<i>Jean F. Watson grant received for purchase of art</i>	17	9
<i>Donations and Legacies</i>	300	236
<i>Other trading activities</i>	39	50
Total Income	427	366

3 Analysis of Expenditure on Charitable Activities	2021/22	2020/21
	£'000	£'000
<i>Edinburgh Education Trust - Grants to Individuals</i>	(1)	(1)
<i>Edinburgh Education Trust - Grants to Schools</i>	(2)	(2)
<i>Lauriston Castle - Operating cost</i>	(280)	(239)
<i>Nelson Halls - Operating cost</i>	(46)	(36)
<i>The Royal Scots Trusts - Operating cost</i>	(22)	(26)
<i>Jean F. Watson- Art Impairment Loss</i>	-	(2)
	(351)	(306)
<i>Allocation of Governance and support costs</i>	(13)	(12)
Total Expenditure on Charitable Activities	(364)	(318)

There was no expenditure incurred on raising funds in 2021/22. (£nil 2020/21)

4 Analysis of Governance and Support Costs	Support	Governance	Total
	£'000	£'000	£'000
<i>Edinburgh Education Trust</i>	(3)	(3)	(6)
<i>Jean F. Watson</i>	(3)	(3)	(6)
<i>Others</i>	-	(1)	(1)
Total Support Costs	(6)	(7)	(13)

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

No Trustee received any remuneration or expenses during the year ending 31 March 2022. 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 2022

5 Jean F. Watson Collection	2021/22	2020/21
	£'000	£'000
<i>Balance brought forward at 1 April</i>	5,382	5,373
<i>Purchases during the year</i>	37	18
<i>Other Adjustment</i>	-	(7)
<i>Impairment</i>	-	(2)
Balance carried forward at 31 March	<u><u>5,419</u></u>	<u><u>5,382</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 per the list below and no disposals.

In 2020/21, Vestige 2019_45 painting by Michael Craik, Portfolio of 29 prints by various artists from Castle Mills Printmakers, Three untitled paintings by Eric Cruikshank, Fugue (17/11) & Fugue (30/11) by James Lumsden were purchased.

In 2021/22, Portfolio of three unique digital prints- Disunion, Apparition and Green & Pleasant Land by Rachel MacLean was purchased.

These are classified as heritage assets.

6 Analysis of Other Heritage Assets	2021/22	2020/21
	£'000	£'000
<i>Nelson Halls</i>	19	19
<i>Lauriston Castle</i>	7,625	7,625
<i>The Royal Scots Trust</i>	1	1
Total Other Heritage Assets	<u><u>7,645</u></u>	<u><u>7,645</u></u>

The Lauriston Castle valuation of £7.6m (2020/21 £7.6m) includes £2m for the Lauriston Castle buildings and grounds based on historic cost and £5.6m based on full inventory valuation of the collection. An external revaluation of the collection was completed in November 2020 by Art & Antiques Appraisals.

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.

The Royal Scots Monument was transferred from Common Good Fund to the Royal Scots Trust following the Common Good asset register review in 2019/20. The valuation of the monument has been based on historic cost.

Additional information on heritage assets can be found in the Trustee's Annual Report under Reserves Policy but there have been no acquisitions or disposals, except for those mentioned for Jean F. Watson in Note 5 above.

7 Analysis of Investments	Realised	Purchases	Net Gain/		
	Investments	at cost	(Loss) on	At 31/3/21	At 31/3/22
	£'000	£'000	revaluation	£'000	£'000
<i>Edinburgh Education Trust</i>	1,068	-	72	1,140	1,140
<i>Jean F. Watson</i>	1,108	-	71	1,179	1,179
<i>Lauriston Castle</i>	49	-	3	52	52
<i>Nelson Halls</i>	249	-	16	265	265
<i>The Royal Scots Trust</i>	30	-	2	32	32
Total Investments	<u><u>2,504</u></u>	<u><u>-</u></u>	<u><u>164</u></u>	<u><u>2,668</u></u>	<u><u>2,668</u></u>

The City of Edinburgh Council Charitable Trusts
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8 Analysis of Cash and Cash Equivalents	2021/22	2020/21
	£'000	£'000
<i>Edinburgh Education Trust</i>	142	121
<i>Jean F. Watson</i>	154	154
<i>Lauriston Castle</i>	1	1
<i>Nelson Halls</i>	8	8
<i>The Royal Scots Trust</i>	3	3
Total Cash and Cash Equivalents	<u>308</u>	<u>287</u>

9 Analysis of Debtors	2021/22	2020/21
	£'000	£'000
<i>Edinburgh Education Trust</i>	7	7
<i>Jean F. Watson</i>	7	7
<i>Nelson Halls</i>	2	1
Total Debtors	<u>16</u>	<u>15</u>

The figures above predominately relate to the accrued interest for the CCLA and M&G investments.

10 Analysis of Creditors Due Within One Year	Unrestricted funds	Endowment funds	2021/22	2020/21
	£'000	£'000	Total	Total
			£'000	£'000
<i>Amounts due</i>	(22)	-	(22)	(21)
<i>Deferred Income- JF Watson Prepaid Grant</i>	-	-	-	(5)
Total Liabilities	<u>(22)</u>	<u>-</u>	<u>(22)</u>	<u>(26)</u>

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

11 Analysis of Financial Assets and Liabilities	2021/22	2020/21
	£'000	£'000
<i>Financial assets measured at amortised cost</i>	324	302
<i>Financial liabilities measured at amortised cost</i>	(22)	(26)
<i>Financial assets measured at market value</i>	2,668	2,504
Total Financial Assets and Liabilities	<u>2,970</u>	<u>2,780</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 £14,738 was owed to the Council by the Trusts (2020-21 £14,342).

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 2022, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

15 Audit Fee

The fee payable to Azets Audit Services in respect of the audit services for the Council's Charitable Trusts is £6,859 for 2021/22. The figure for 2020/21 was £6,104. This fee is included in the overall governance costs and allocated proportionately to each individual Trust based on cash held at bank.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2022

16 (i) Trusts at Market Value - Year Ended 31 March 2022

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Lauriston Castle Trust Revaluation £'000	Funds carried forward £'000
<i>Edinburgh Education Trust</i>	SC042754	1,189	30	(9)	72	-	1,282
<i>Jean F. Watson</i>	SC018971	6,641	48	(6)	71	-	6,754
<i>Lauriston Castle</i>	SC020737	7,673	280	(280)	3	-	7,676
<i>Nelson Halls</i>	SC018946	271	47	(47)	16	-	287
<i>The Royal Scots Trust</i>	SC018945	33	22	(22)	2	-	35
Total Funds		15,807	427	(364)	164	-	16,034

16 (ii) Trusts at Market Value - Year Ended 31 March 2021

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Lauriston Castle Trust Revaluation £'000	Funds carried forward £'000
<i>Edinburgh Education Trust</i>	SC042754	1,011	30	(8)	156	-	1,189
<i>Jean F. Watson</i>	SC018971	6,451	41	(9)	158	-	6,641
<i>Lauriston Castle</i>	SC020737	7,042	239	(239)	7	624	7,673
<i>Nelson Halls</i>	SC018946	235	36	(36)	36	-	271
<i>The Royal Scots Trust</i>	SC018945	35	20	(26)	4	-	33
Total Funds		14,774	366	(318)	361	624	15,807

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2022

17 (i) Trusts at Market Value - Year Ended 31 March 2022

Charity Name	SC Number	Revaluation Reserve										2021/22 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Heritage Assets incl. Lauriston Castle	Other Heritage Assets	Investments	Investments Market Value	Adjustment	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<i>Edinburgh Education Trust</i>	SC042754	142	7	(6)	-	-	-	-	844	296		1,283
<i>Jean F. Watson</i>	SC018971	154	7	(6)	1,042	4,377	-	-	881	298		6,753
<i>Lauriston Castle</i>	SC020737	1	-	(2)	-	-	7,625	-	39	13		7,676
<i>Nelson Halls</i>	SC018946	8	2	(7)	-	-	-	19	198	67		287
<i>The Royal Scots Trust</i>	SC018945	3	-	(1)	-	-	-	1	24	8		35
Total Funds		308	16	(22)	1,042	4,377	7,625	20	1,986	682		16,034

17 (ii) Trusts at Market Value - Year Ended 31 March 2021

Charity Name	SC Number	Revaluation Reserve										2020/21 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Heritage Assets incl. Lauriston Castle	Other Heritage Assets	Investments	Investments Market Value	Adjustment	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<i>Edinburgh Education Trust</i>	SC042754	121	7	(5)	-	-	-	-	844	224		1,191
<i>Jean F. Watson</i>	SC018971	154	7	(11)	1,005	4,377	-	-	881	227		6,640
<i>Lauriston Castle</i>	SC020737	1	-	(2)	-	-	7,625	-	39	10		7,673
<i>Nelson Halls</i>	SC018946	8	1	(7)	-	-	-	19	198	51		270
<i>The Royal Scots Trust</i>	SC018945	3	-	(1)	-	-	-	1	24	6		33
Total Funds		287	15	(26)	1,005	4,377	7,625	20	1,986	518		15,807

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

Reporting 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 2022 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 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 2022 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 for 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

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Responsibilities of the Trustee for the financial statements

As explained more fully in the Responsibilities of the Trustee, the Trustee is 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 Trustee determines 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 Trustee is 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 the Trustee intends to discontinue the charities' operations, or have no realistic alternative but to do so.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the charities are complying with that framework;
- identifying which laws and regulations are significant in the context of the charities;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charities' controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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.

Reporting on other requirements

Other information

The Trustee is responsible for other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Report on other requirements

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

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.