

Finance and Resources Committee

10.00am, Thursday, 29 September 2016

The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2015/16 Audit

Item number	7.6
Report number	
Executive/routine	
Wards	

Executive summary

The report updates the Committee with the External Auditor's view on matters arising from their audit in compliance with International Standard on Auditing 260.

There are no qualifications to the draft proposed audit certificate shown in the report.

The Charitable Trusts UK equities and Global equities were held with the Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund which were wound up on the 30 June 2016. The capital from these funds will now be invested with the COIF Charities Investment Fund managed by CCLA.

Links

Coalition pledges	P31 , P42
Council outcomes	CO6 , C10
Single Outcome Agreement	SO2 , SO3

The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2015/16 Audit

Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 Approve the Audited Trustee's Report and Accounts for 2015/16 and note that these will be submitted to the External Auditor by 30 September 2016;
 - 1.1.2 Note that any relevant commentary on the Charitable Trusts has been included in the External Auditor's Annual Report on the 2015/16 Audit which is included in Appendix 1; and
 - 1.1.3 Note that the Charitable Trusts investments have been invested with the COIF Charities Investment Fund managed by CCLA.

Background

- 2.1 The purpose of this report is to update the Committee with the External Auditor's view on matters arising from their audit in compliance with International Standard on Auditing 260 (ISA 260).
- 2.2 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts.
- 2.3 The External Auditor is required to comply with International Standard on Auditing 260. As part of the standard, the Auditor is required to highlight relationships that bear on independence, unadjusted misstatements and material weaknesses in internal control.
- 2.4 The Council, as the trustee, has overall responsibility for ensuring that:
 - i. there are appropriate systems of control;
 - ii. proper accounting records are maintained which disclose the financial position of the charities;
 - iii. suitable accounting policies are selected and applied consistently;
 - iv. judgements and estimates are reasonable and prudent;
 - v. assets of the charities are safeguarded against unauthorised use or disposition;
 - vi. reasonable steps for the prevention and detection of fraud are taken; and

- vii. reasonable assurances are provided that the charities are operating efficiently and effectively.

Main report

- 3.1 The ISA 260 report for the City of Edinburgh Council Charitable Trusts is shown in Appendix 1.
- 3.2 There are no qualifications to the draft proposed audit certificate which is shown at Appendix A of the ISA 260.
- 3.3 Last financial year the Auditor noted two key points in the ISA 260:
 - i. The Finance and Resources Committee should develop a reserves policy for each Charitable Trust. This reserves policy was agreed at the March 2016 Finance and Resources Committee meeting and included within the 2015/16 Trustee's Annual Report and Accounts.
 - ii. A revaluation of the Jean F. Watson and Lauriston Castle assets should be undertaken, progress against which is outlined below in paragraph 3.4.
- 3.4 This financial year the Auditor has drawn Members' attention to the following key points:

- i. The Lauriston Castle Trust external revaluation was not reflected within the 2015/16 accounts, as the information was not available before certification of the accounts. The results of the revaluation are expected in early October 2016 and these revalued figures will be reflected in the 2016/17 Trust accounts.

A non-adjusting post-balance sheet event has been disclosed in the 2015/16 Trust accounts.

- ii. The Jean F. Watson external revaluation of the more significant pieces in the collection was not carried out in the 2015/16 financial year.

The Committee on the Jean F. Watson Bequest previously agreed that these items should be revalued every five years. As the Jean F. Watson collection was subject to an internal revaluation in 2014/15, the next revaluation will be completed for inclusion within the 2019/20 accounts. In advance of the next formal revaluation review, officers will consider the use of independent valuations for significant pieces of the collection to support the existing internal valuation approach.

- iii. The Allianz Investment Funds, two of the three funds held by the Charitable Trusts, have been wound up in early 2016/17, with £1.587m due to be invested during the 2016/17 financial year.

Before this point was raised by the external auditor, it was already agreed to invest these funds with CCLA in the COIF Charities Investment Fund. This will be concluded by the end of September 2016. Additional detail on this matter is provided in the following paragraphs.

- 3.5 The Audited Trustee's Report and Accounts for 2015/16 are shown in Appendix 2.
- 3.6 The Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund were wound up with the funds liquidated as at 30 June 2016 and paid out on 6 July 2016 to the relevant Charitable Trusts. Following approval at the 30 June City of Edinburgh Council meeting, the Acting Executive Director of Resources was granted delegated authority to select a suitable fund in which the Charitable Trusts investments should be reinvested. Under this delegated authority, £1,587,394, being the £1,487,394 paid out by Allianz plus an additional £100,000 from the Edinburgh Education Trust, will be invested in the COIF Charities Investment Fund managed by CCLA by the end of September 2016.
- 3.7 To arrive at this decision, an external organisation was commissioned to undertake a review of various options for the Trusts' investments, resulting in an extensive options report, considering factors such as past capital and income return, size of fund, investment approach and objectives, ethical and sustainability considerations and annual charges. The various fund managers considered were BlackRock, CCLA, M&G, Newton and Schrodgers/Cazenove.
- 3.8 Following evaluation by Council officers, it was deemed that the COIF Charities Investment Fund was the most appropriate for the Trusts. It is a well diversified fund and combined with the investments already held in the M&G Charibond Fixed Interest Fund provides an asset allocation in line with an appropriate level of risk exposure.
- 3.9 The fund has delivered a steady annual return of over 4% for both capital and income over the last five years. Capital return is the growth of the investment, with income return being the income received through dividends. It has a realistic and achievable long-term aim of 5% annual real total return, whilst maintaining income after inflation. It has a significant focus on ethical investing, managed by its board, with negative screening applied. Negative screening is a conscious decision not to invest in specific sectors or industries. It is also a relatively large fund for the sector with assets of c. £1.4bn, focused on providing a well diversified investment fund for charities.

Measures of success

- 4.1 The Charitable Trusts receive an unqualified audit certificate from the External Auditor by 30 September 2016.

Financial impact

- 5.1 There is no direct financial impact of the report's contents.

Risk, policy, compliance and governance impact

- 6.1 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts.

Equalities impact

- 7.1 No full ERIA is required.

Sustainability impact

- 8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

Consultation and engagement

- 9.1 The financial statements were made available for public inspection from 1 July 2016 for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. The Council received no requests for further information under these Regulations.

Background reading/external references

[Boyd Anderson Funds](#)

[Charitable Trusts Reserves Policy](#)

[The City of Edinburgh Council Charitable Trusts – Report to those Charged with Governance of the 2014/15 Audit](#)

[The City of Edinburgh Council Charitable Trusts – Unaudited Trustee's Annual Report and Accounts 2015/16](#)

[COIF Charities Investment Fund](#)

Hugh Dunn

Acting Executive Director of Resources

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Links

Coalition pledges	P31 – Maintain our city’s reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure. P42 – Continue to support and invest in our sporting infrastructure.
Council outcomes	CO6 – Our children’s and young people’s outcomes are not undermined by poverty and inequality. C10 – Improved health and reduced inequalities.
Single Outcome Agreement	SO2 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh’s children and young people enjoy their childhood and fulfil their potential
Appendices	Appendix 1 – Report to those charged with governance on 2015/16 Audit Appendix 2 – Audited 2015/16 Trustee’s Annual Report and Accounts for the year ended 31 March 2016

City of Edinburgh Council - Registered Charitable Trusts

Report to those charged
with governance on the
2015/16 audit



Prepared for the members of City of Edinburgh Council
September 2016

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Contents

Introduction	4
Status of the Audit.....	4
Matters to be reported to those charged with governance	4
Accounting and internal control systems	5
Significant findings from the audit.....	6
Acknowledgements	7
Appendix A: Proposed Independent Auditor’s Report	8
Appendix B: Registered Trusts where City of Edinburgh Council is the sole trustee	10
Appendix C: ISA 580 - Letter of Representation	11

Introduction

1. An audit is required for the 2015/16 financial statements of all registered charities where the local authority is the sole trustee irrespective of the size of the charity. This is due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Accounts (Scotland) regulations 2006.
2. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
3. The trustee of each charity will be provided a copy of the ISA 260 report on 29 September 2016 for their consideration and will be given the opportunity to discuss the points raised within the ISA 260 report directly with External Audit.
4. This report sets out for the Trustee's consideration the matters arising from the audit of the financial statements for 2015/16 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of City of Edinburgh Council, as the sole trustee of the registered charitable trusts listed at Appendix B, and no responsibility to any third party is accepted.

Status of the Audit

5. Our work on the financial statements is now substantially complete. The issues arising from the audit were discussed with officers at regular intervals during the course of the audit. The more significant issues arising were discussed with the council officer responsible for the charitable trusts at a meeting on 13 September 2016.
6. We received the unaudited financial statements by 30 June 2016, in accordance with the agreed timetable. The financial statements and supporting working papers were of a good standard. Finance staff provided good support to the audit team and we completed our fieldwork by the end of August 2016.

Matters to be reported to those charged with governance

Conduct and scope of the audit

7. We are required to audit the collated financial statements of the 7 registered trusts, where the sole trustee is City of Edinburgh Council. These trusts are set out in Appendix B.

8. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan of the City of Edinburgh Council presented to the Governance, Risk and Best Value Committee on 21 April 2016, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland.
9. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not carry out any additional work outwith our planned audit activity this fee remains unchanged.

Fraud

10. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In presenting this report to the Trustee we seek confirmation from those charged with governance of any instances thereof that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft letter of representation.

Audit opinion & representations

11. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditors report on 29 September 2016 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
12. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £1,000. There were none identified as part of our audit work.
13. A number of presentational adjustments were identified and discussed with the officer responsible for the charitable trusts who agreed to amend the unaudited financial statements. There were no monetary adjustments identified during the course of our audit.
14. As part of the completion of our audit we seek written assurances from the Section 95 Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at Appendix C. This should be signed and returned by the Section 95 Officer with the signed financial statements prior to the independent auditor's opinion being certified.

Accounting and internal control systems

15. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Significant findings from the audit

16. In our view, the following issues require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.
17. **Lauriston Castle Trust external revaluation:** In our 2014/15 report to those charged with governance, we noted that the Lauriston collection had not been revalued since 1997. The Trustee planned an external revaluation of the Trust assets in 2015/16 the results of which would be incorporated into the 2015/16 accounts.
18. An external revaluation of the collection commenced in January 2016 but the final results of that revaluation were not due to be finalised until after the certification of the accounts on 29 September 2016.
19. **Resolution:** A non-adjusting post-balance sheet event has been disclosed in the audited accounts in respect of this issue. The results of the external revaluation of the Lauriston Castle Trust assets will be incorporated into the 2016/17 charitable trust annual accounts.
20. **Jean F Watson Trust external revaluation:** In our 2014/15 report to those charged with governance, we noted that the Jean F Watson artwork collection was reviewed internally, resulting in an upwards revaluation of £1.304m in the 2014/15 accounts. We also noted that officers planned a detailed external revaluation of the more significant pieces in the collection during 2015/16. The Trustee resolved to incorporate this revaluation into the 2015/16 Trust accounts.
21. Officers have since clarified that no external revaluations of significant items were undertaken in 2015/16. The Committee on the Jean F Watson Bequest previously agreed that these items should be revalued every five years, and as all the significant items were subject to internal revaluation in 2014/15, the next revaluation will be completed for inclusion in the 2019/20 accounts. However best practice would be to undertake some external valuations periodically to provide additional comfort around the insurance value of the collection.
22. **Resolution:** As the significant items in the collection have been subject to revaluation within the last five years, in line with the council's stated approach to asset valuation, we are satisfied that the carrying value of these assets is presented fairly in the accounts. In advance of the next formal revaluation review, officers will consider the use of independent valuations to support the existing internal valuation approach.
23. **Allianz Investment Funds:** The trusts' balance sheet at 31 March 2016 includes investment funds of £1.843 million. On 1 April 2016 the Trust was notified that two funds managed by Allianz Investment Managers, accounting for £1.432 million of investments, were to be wound up. These funds were liquidated on 30 June 2016 and paid out on 6 July 2016, at which point the monies received from Allianz were deposited in a bank account.
24. A review of potential fund providers was undertaken and a decision made to reinvest in the COIF Charities Investment Fund managed by CCLA. Officers have confirmed that an

application has been submitted to the fund, and monies are in the process of being transferred to allow the purchase of investments by the end of September 2016.

Acknowledgements

25. We would like to express our thanks to the officers of City of Edinburgh Council for their help and assistance during the audit of this year's annual accounts which has enabled us to provide an audit report within the agreed timetable.

Appendix A: Proposed Independent Auditor's Report

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

I certify that I have audited the financial statements of The City of Edinburgh Council Charitable Trusts for the year ended 31 March 2016 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Trustee and auditor

As explained more fully in the statement "Responsibilities of the Trustee", the Trustee is responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charities' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially

inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the charities' affairs as at 31 March 2016 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.

Opinion on other prescribed matter

In my opinion the information given in the Trustee's Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

David McConnell, MA, CPFA
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GLASGOW
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September 2016

David McConnell is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

Appendix B: Registered Trusts where City of Edinburgh Council is the sole trustee

- Edinburgh Education Trust (Registered Charity SC042754)
- G Boyd Anderson -Skiing (Registered Charity SC025067)
- Jean F. Watson Bequest (Registered Charity SC018971)
- Lauriston Castle Trust (Registered Charity SC020737)
- Nelson Halls Trust (Registered Charity SC018946)
- Royal Scots (The Royal Regiment) Monument Trust (Registered Charity SC018945)
- Usher Hall Conservation Trust (Registered Charity SC030180)

Appendix C: ISA 580 - Letter of Representation

September 2016

David McConnell
Assistant Director
Audit Scotland
4th Floor, South Suite
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Nelson Mandela Place
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G2 1BT

Dear David

- **Edinburgh Education Trust (Registered Charity SC042754)**
- **G Boyd Anderson - Skiing (Registered Charity SC025067)**
- **Jean F Watson Bequest (Registered Charity SC018971)**
- **Lauriston Castle Trust (Registered Charity SC020737)**
- **Nelson Halls Trust (Registered Charity SC018946)**
- **Royal Scots (The Royal Regiment) Monument Trust (Registered Charity SC018945)**
- **Usher Hall Conservation Trust (Registered Charity SC030180)**

Annual Accounts 2015/16

1. This representation letter is provided in connection with your audit of the collated financial statements of the registered charitable trusts listed above where City of Edinburgh Council is the sole trustee for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of each of these registered charitable trusts as at 31 March 2016 and its income and expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Trustee of the registered charitable trusts where City of Edinburgh Council is the sole trustee, the following representations given to you in connection with your audit for the year ended 31 March 2016.

General

3. I acknowledge my responsibility and that of City of Edinburgh Council (as the administering authority) for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered trusts listed above have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Trustee's Annual Report to the financial statements presents a balanced picture of each registered trust and is consistent with the financial statements.
5. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Financial Reporting Framework

6. The financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the regulations 9(1), (2) and (3) of the Charities Accounts (Scotland) Regulations 2006.
7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of each registered charitable trust for the year ended 31 March 2016.

Accounting Policies & Estimates

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

9. The Trustee has assessed the ability of the registered charitable trusts to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result.

Related Party Transactions

10. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24.

Events Subsequent to the Balance Sheet Date

11. There have been no material events since the date of the balance sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

Corporate Governance

12. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

Fraud

13. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

14. The cash fund and investments shown in the statement of balances at 31 March 2016 were owned by the registered charitable trusts. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.
15. The carrying value and classification of assets in the financial statements is based on the best information available to the council at the balance sheet date. A revaluation exercise is currently underway to obtain up-to-date market valuations for certain heritage assets, and this will be reflected in the 2016/17 financial statements.
16. Whilst every effort has been made to identify heritage assets belonging to charities and trusts, it has not been possible to split out all of these assets from those held by City of Edinburgh Council. Therefore some heritage assets which properly belong to the charities and trusts may be included within City of Edinburgh Council's financial statements.

Yours sincerely

Hugh Dunn
Acting Executive Director of Resources
Section 95 Officer

**The City of Edinburgh Council Charitable Trusts
Trustee's Annual Report and Accounts
for the year ended 31 March 2016**

Legal and Administrative Information

Trustee

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

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

Registered Office

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Trustee's Annual Report 2015/16

The trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2016. The Annual Accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice effective 01/01/2015 (FRS 102), commonly referred to as the SORP.

Structure, Governance and Management

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

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

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

Reference and Administrative Details

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

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

Responsibilities of the Trustee

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

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

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

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

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

Exemptions From Disclosure

None.

Funds held as Custodian Trustee on Behalf of Others

None.

Trustee's Annual Report 2015/16
Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2016 are as follows:

Official Name (Name Used in Accounts)	Scottish Charity Registration Number	Purpose	Market Value at 31/3/16 £'000
Jean Fletcher Watson (Jean F. Watson)	SC018971	The purchase of works of art by artists who have connections with the city	6,173
Edinburgh Education Trust (Edinburgh Education Trust)	SC042754	To fund activities to support Looked after Children and school prizes	852
Nelson Halls Trust (Nelson Halls)	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	214
City of Edinburgh Council Charitable Funds (Boyd Anderson)	SC025067	Provision of outdoor education and skiing opportunities	118
Usher Hall Conservation Appeal (Usher Hall)	SC030180	Raise funds for the renovation of the Usher Hall	68
Lauriston Castle Trust (Lauriston Castle)	SC020737	To make the artefacts and buildings available to be viewed by the public	7,039
The Royal Scots (The Royal Regiment) Monument Trust Fund (The Royal Scots Trust)	SC018945	Maintenance of the Royal Scots Monument	30
Total			14,494

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

The main activities undertaken in relation to the Trusts' purposes are outlined below;
 Jean F. Watson purchased 'The Crags at Dawn' by Catharine Davison during the financial year. Two additional planned purchases will be progressed throughout the next financial year, with these expected to take around a year to finalise.

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

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

At the January 2016 Finance and Resources Committee, it was agreed that £64,000 of the Boyd Anderson funds will be used to build a modular log cabin type classroom and storage space at Lagganlia. The remaining £54,000 has already been earmarked for the ski centre at Hillend.

It is currently proposed that the Usher Hall funds will be used to purchase a new Steinway grand piano when a replacement becomes required.

The Lauriston Castle is open to the public with the interest received in 2015/16 used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2015/16 was used to cover some of the running costs.

Achievements and Performance

To assist Jean F. Watson in the purchase of 'The Crags at Dawn', £1,750 (50% of the purchase cost) was received from the National Fund for Acquisitions administered by the National Museums of Scotland.

An external valuation by Art & Antiques Appraisals Ltd is nearing completion at the Lauriston Castle but the valuation was not available in time for inclusion in the 2015/16 Trustee's Annual Report and Accounts.

There was no material expenditure incurred by any of the Trusts in 2015/16 to raise income in future periods.

Trustee's Annual Report 2015/16
Achievements and Performance - continued

Financial Investments Performance

With regard to the performance to the year ended 31 December 2015, the Chariguard UK Equities Fund was just below the benchmark. The fund returned 1.90% compared to the benchmark of 1.98%. This is consistent with the Fund's index-tracking objectives. The performance of the Chariguard Overseas Equities Fund was below its benchmark, as it returned 1.12% compared to the benchmark of 2.05%.

Performance information for 12 months to 2 November 2015 by Charibond Charities Fixed Interest Common Investment Fund was a total return (capital performance with gross income reinvested) of 3.1% compared to the FTSE British Government All Stocks Index - a broad index of UK government bonds which does not include corporate bonds - which returned 5.5% over the same period. The reasons for the fund's underperformance were its defensive positioning and corporate bond holdings. Charibond's distribution yield on 2 November 2015 was 5.3% compared to the FTSE British Government All Stocks Index Yield of 2.3%, however, based on the Charibond's share price at 2 November 2015, this distribution yield will reduce to 3.7% next year.

The current allocation against the target allocation is outlined in the table below;

Asset Allocation		
	Current	Target
Fixed Interest	22%	25%
UK Equities	36%	37.50%
Global Equities	42%	37.50%
Total	100%	100%

The objective for each fund is to match the performance of its respective benchmark index. The Chariguard UK Equity Fund is benchmarked against the FTSE All-Share Index, the Chariguard Overseas Fund is benchmarked against the FTSE World Index ex UK (adjusted) and the Charibond Fixed Interest Fund is benchmarked against the FTSE British Government All-Stocks Index.

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2016. 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 £56,000 in 2015/16. (2014/15 £64,000). This decrease in income compared to the previous year is due to the transfer of the Surplus Fire Fund (SFF) to Edinburgh Voluntary Organisation Trust (EVOT) during the 2014/15 financial year. Excluding the SFF income for 2014/15 would have resulted in £55,000 of income, therefore there has been a £1,000 increase when comparing like-for-like year-on-year income. This is due to the £1,750 grant received for purchasing art and stable although slightly underperforming investment returns.

The expenditure in the year is lower than last year at £37,000 compared to £1,311,000, however, when excluding the SFF again, the figure for comparison is £19,000. This actual like-for-like increase of £18,000 is as a result of £11,000 greater spend by the Edinburgh Education Trust on activities for looked after children and school prizes. Governance costs are £4,000 higher in 2015/16 as a result of the Audit Fee of £4,250 being charged directly to the Trusts. The purchase of 'The Craggs at Dawn' represents another £3,500 of additional expenditure in 2015/16, with the remainder representing small sums across the other Trusts. An analysis of expenditure is detailed in Note 3, with the values against Nelson Halls, Lauriston Castle and The Royal Scots Trusts being allocated to the maintenance of the assets.

The final movement in the Statement of Financial Activities relates to the unrealised losses on investments of £97,000. (Gain £140,000 2014/15) This is a result of the stock market performance outlined at the top of this page in the Financial Investments Performance section.

The Balance Sheet Statement shows the fixed asset investments have decreased from £1,940m to £1,843m. Movements on the valuation of the investments are further analysed in note 14 and note 15.

Trustee's Annual Report 2015/16

Financial Review - continued

Fixed asset properties and collections have been included in the accounts at their prior year valuations. The £7,000 increase in cash is further analysed in the Cash Flow Statement. The detail of the amount owed by each Trust to the Council as at 31 March 2016 is included within Note 15 of the Accounts.

Letters dated 1 April 2016 were received to notify that the Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund are to be wound up with the funds liquidated as at 30 June 2016 and this paid out on 6 July 2016. Therefore plans will need to be in place to reinvest this money to ensure that investment income in the 2016/17 financial year is not adversely impacted.

An overall review of the current asset allocation will be undertaken and consideration of whether the investment mix should be updated accordingly. Social, environmental and ethical considerations will also be taken into account when determining the best place for these investments.

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 using "Capital" balances, Finance and Resources Committee approval would be required on a case by case basis. This policy was approved at the 17 March 2016 Finance and Resources Committee.

The annual income for Jean F. Watson averages around £25,000. This income can be used to purchase additional artwork, preserve existing artwork or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £6,173,000, consisting of £858,000 in Investments, £5,232,000 in Fixed Assets, £84,000 in Cash less Creditors of £1,000.

The annual income for the Edinburgh Education Trust averages around £20,000. This income is used for the advancement of education, academic and physical, formal and informal, to include the giving of bursaries and prizes as well as assistance for residents who find themselves in a state of financial hardship within the City of Edinburgh District or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £852,000, consisting of £726,000 in Investments, £131,000 in Cash less Creditors of £5,000.

The annual income for Nelson Halls averages around £5,000. This income should be used in full towards costs incurred by the City of Edinburgh Council for the maintenance of the Halls. The Trust has total funds of £214,000, consisting of £193,000 in Investments, £19,000 in Heritable Assets, £8,000 in Cash less Creditors of £6,000.

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

The annual income for Usher Hall averages around £250. This income is used towards costs incurred by the City of Edinburgh Council for the maintenance of the Usher Hall. However, the remaining cash at bank for the Trust, around £71,000, can also be used, following Committee approval, on fabric enhancements at the Usher Hall. The current understanding is that this is likely to be used in relation to the grand piano in 2016/17. The Trust has total funds of £68,000, consisting of £71,000 in Cash less Creditors of £3,000.

The annual income for the Lauriston Castle averages around £1,000. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Castle. The Trust has total funds of £7,039,000, consisting of £7,001,000 in Heritable Assets, £38,000 in Investments, £4,000 in Cash less Creditors of £4,000.

The annual income for The Royal Scots Trust averages around £800. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Monument. The Trust has total funds of £30,000, consisting of £28,000 in Investments and £2,000 In Cash.

The Heritable Assets and the Investments stated above are restricted funds and are therefore not available for general purposes. An analysis of Heritable Assets is included within Note 6 to the Accounts.

Trustee's Annual Report 2015/16

Financial Review - continued

Plans for Future Period

The strategy to radically restructure the trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. Future plans include the full disbursement of the remaining funds of the Boyd Anderson and Usher Hall Trusts in the 2016/17 financial year, which will leave five Trusts remaining.

Future plans also include maximising realised investment gain when the Allianz funds are wound up. It will also be important for the long-term future of the Trusts that these funds are reinvested promptly and to preserve capital whilst generating strong annual income returns.

In the 2015/16 financial year the Trusts have improved processes regarding the transfer of funds and this should be continued in 2016/17 to ensure individuals are aware of the money available to them and that this is transferred promptly. Forecasting should be carried out in 2016/17 to ensure that they are also aware of the likely money available in 2017/18.

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 are outlined below;

Councillor Bill Cook (*Vice Convener*)

Councillor Gavin Corbett

Councillor Denis Dixon

Councillor Paul Edie

Councillor Paul Godzik

Councillor Joan Griffiths

Councillor Bill Henderson

Councillor Ricky Henderson

Councillor Allan Jackson

Councillor Adam McVey

Councillor David Walker

Councillor Iain Whyte

Councillor Andrew Burns (*ex officio*)

Councillor Frank Ross (*ex officio*)

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2016

	Note	2015/16			2014/15		
		Unrestricted funds	Endowment funds	Total funds 2015/16	Unrestricted funds	Endowment funds	Total funds 2014/15
		£'000	£'000	£'000	£'000	£'000	£'000
Income and Endowments from:							
<i>Charitable activities</i>	2	(2)	-	(2)	-	-	-
<i>Investments</i>	2	(54)	-	(54)	(64)	-	(64)
Total		<u>(56)</u>	<u>-</u>	<u>(56)</u>	<u>(64)</u>	<u>-</u>	<u>(64)</u>
Expenditure on:							
<i>Charitable activities</i>	3, 4	37	-	37	19	-	19
<i>Other - Trusts transferred to external charities</i>		-	-	-	84	1,208	1,292
Total		<u>37</u>	<u>-</u>	<u>37</u>	<u>103</u>	<u>1,208</u>	<u>1,311</u>
<i>Net gains / (losses) on investments</i>	14	-	(97)	(97)	-	140	140
Net income / (expenditure)		<u>-</u>	<u>(97)</u>	<u>(97)</u>	<u>-</u>	<u>140</u>	<u>140</u>
Other recognised gains/(losses):							
<i>Gains on revaluation of fixed assets</i>	5	-	-	-	1,304	-	1,304
Net movement in funds		<u>19</u>	<u>(97)</u>	<u>(78)</u>	<u>1,265</u>	<u>(1,068)</u>	<u>197</u>
Reconciliation of funds							
<i>Capital as 1 April</i>		1,227	1,734	2,961	1,266	2,802	4,068
<i>Revaluation Reserve</i>		4,377	7,001	11,378	3,073	7,001	10,074
<i>Market Value Adjustment</i>		8	225	233	8	225	233
<i>Total funds brought forward</i>		<u>5,612</u>	<u>8,960</u>	<u>14,572</u>	<u>4,347</u>	<u>10,028</u>	<u>14,375</u>
Total funds carried forward	15	<u>5,631</u>	<u>8,863</u>	<u>14,494</u>	<u>5,612</u>	<u>8,960</u>	<u>14,572</u>

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2016

		2015/16			2014/15		
	Note	Unrestricted funds	Endowment funds	Total funds 2015/16	Unrestricted funds	Endowment funds	Total funds 2014/15
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets:							
<i>Jean F. Watson Collection</i>	5	5,232	-	5,232	5,232	-	5,232
<i>Heritable Property</i>	6		7,020	7,020	-	7,020	7,020
<i>Investments</i>	7		1,843	1,843	-	1,940	1,940
Total fixed assets		5,232	8,863	14,095	5,232	8,960	14,192
Current Assets:							
<i>Cash at Bank</i>	8	420	-	420	413	-	413
Total current assets		420	-	420	413	-	413
Liabilities:							
<i>Creditors due within one year</i>	9, 10	21	-	21	33	-	33
Total Liabilities		21	-	21	33	-	33
Net Current Assets		399	-	399	380	-	380
Total Net Assets		5,631	8,863	14,494	5,612	8,960	14,572
The funds of the charity:							
<i>Unrestricted Funds</i>	15	1,254	-	1,254	1,235	-	1,235
<i>Endowment Funds</i>	15	-	1,862	1,862	-	1,959	1,959
<i>Revaluation Reserve</i>	15	4,377	7,001	11,378	4,377	7,001	11,378
Total Charity Funds		5,631	8,863	14,494	5,612	8,960	14,572

The unaudited accounts were issued on 30 June 2016. The audited accounts were authorised for issue on 29 September 2016. I confirm that these Annual Accounts were approved for signature by the Finance and Resources Committee at its meeting on 29 September 2016.

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 2016

	31 March 2016	31 March 2015
	£'000	£'000
Operating Activities		
<i>Dividend Income and Interest received (Note 2)</i>	(54)	(64)
Cash inflows generated from operating activities	<u>(54)</u>	<u>(64)</u>
<i>Cash paid to Schools and Pupils (Note 3)</i>	13	2
<i>Cash paid to Purchase Art (Note 3)</i>	4	-
<i>Cash paid for Legal Fees (Note 3)</i>	-	1
<i>Cash paid to the Council</i>	30	-
Cash outflows generated from operating activities	<u>47</u>	<u>3</u>
Net cash flows from operating activities	<u>(7)</u>	<u>(61)</u>
Investing Activities		
<i>Transfer of Surplus Fire Fund to Edinburgh Voluntary Organisations Trust</i>	-	127
Net cash flows from investing activities	<u>-</u>	<u>127</u>
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net (increase) / decrease in cash and cash equivalents	<u>(7)</u>	<u>66</u>
	April 2015	April 2014
<i>Cash and cash equivalents (Note 8)</i>	413	479
	<u>March 2016</u>	<u>March 2015</u>
<i>Cash and cash equivalents (Note 8)</i>	420	413
Net (increase) / decrease in cash and cash equivalents	<u>(7)</u>	<u>66</u>

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

1 Accounting policies

a) Basis of preparation

The 2015/16 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), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

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

b) Fund accounting

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

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

c) Investment income

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

d) Expenditure

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

e) Heritable property and depreciation

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

f) Heritable assets and depreciation

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

g) Investments

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

h) 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.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

2 Analysis of Income	2015/16	2014/15
	£'000	£'000
<i>Dividend income</i>	(53)	(63)
<i>Interest received</i>	(1)	(1)
<i>Grant for purchase of art</i>	(2)	-
Total Income	<u>(56)</u>	<u>(64)</u>

3 Analysis of Expenditure on Charitable Activities	2015/16	2014/15
	£'000	£'000

Activities undertaken directly:

<i>Education Grants - to Individuals</i>	11	2
<i>Education Grants - to Schools</i>	2	-
<i>Jean F. Watson Art Collection</i>	4	-
<i>Lauriston Castle</i>	1	1
<i>Nelson Halls</i>	5	6
<i>The Royal Scots Trusts</i>	1	-
<i>Surplus Fire Fund Legal Fees</i>	n/a	1
	<u>24</u>	<u>10</u>

<i>Allocation of support costs</i>	13	9
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Total Expenditure on Charitable Activities	<u>37</u>	<u>19</u>
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4 Analysis of Support Costs	Governance	Finance	Total
<i>Edinburgh Education Trust</i>	2	3	5
<i>Boyd Anderson</i>	1	1	2
<i>Jean F. Watson</i>	1	2	3
<i>Usher Hall</i>	2	1	3
Total Support Costs	<u>6</u>	<u>7</u>	<u>13</u>

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

No trustee received any remuneration or expenses during year ending 31 March 2016. There are no employees of the City of Edinburgh Council Charitable Trusts.

5 Jean F. Watson Collection	2015/16	2014/15
	£'000	£'000
<i>Balance brought forward at 1 April</i>	5,232	3,928
<i>Revaluation during the year</i>	-	1,304
Balance carried forward at 31 March	<u>5,232</u>	<u>5,232</u>

In 1961 an agreement was signed by Miss Jean F. Watson and the Corporation of the City of Edinburgh which set up a fund to purchase works of art in memory of Miss Watson's parents. The Trust acquires works of art for public viewing in Edinburgh by artists who have connections with the city. The agreement allows for existing items in the collection to be sold and the proceeds used to purchase other works of art.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

6 Analysis of Heritable Property	2015/16	2014/15
	£'000	£'000
<i>Nelson Halls</i>	19	19
<i>Lauriston Castle</i>	7,001	7,001
Total Heritable Property	7,020	7,020

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 not available for inclusion in the 2015/16 Trustee's Annual Report and Accounts. The previous valuation of the Lauriston Castle was carried out in 1997 by Sotheby's, with the last full inventory evaluation of contents dating back to 1978.

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

Additional information on heritable property can be found in the Trustee's Annual Report.

7 Analysis of Investments	At 31/3/15	Net Loss on revaluation	At 31/3/16
	£'000	£'000	£'000
<i>Listed Investments</i>	1,940	(97)	1,843
Total Investments	1,940	(97)	1,843

8 Analysis of Cash and Cash Equivalents	2015/16	2014/15
	£'000	£'000
<i>Edinburgh Education Trust</i>	131	130
<i>Boyd Anderson</i>	120	127
<i>Jean F. Watson</i>	84	65
<i>Lauriston Castle</i>	4	2
<i>Nelson Halls</i>	8	13
<i>The Royal Scots Trust</i>	2	4
<i>Usher Hall</i>	71	72
Total Cash at Bank	420	413

9 Analysis of Creditors Due Within One Year	Unrestricted funds	Endowment funds	2015/16 Total	2014/15 Total
	£'000	£'000	£'000	£'000
<i>Amounts due to the Council</i>	21	-	21	33
Total Liabilities	21	-	21	33

Detail of the amounts due to the Council per Trust is available in Note 15.

10 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 £21,422 was owed to the Council by the Trusts (2014-15 £33,287). Detail of the amounts due to the Council per Trust is available in Note 15.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

11 Prior Year Adjustment

There are no prior year adjustments included in the 2015/16 Accounts.

12 Post Balance Sheet Event

Events after the balance sheet date

A revaluation of the Lauriston Castle collection commenced in January 2016. It is likely there will be a significant increase in the value of these assets when the details of the revaluation become available, however this will not be until October 2016 and as such will only be reflected in the 2016/17 accounts prospectively.

13 Audit Fee

The fee payable to Audit Scotland in respect of the audit services for the Council's Charitable Trusts is £4,250 for 2015/16. (2014/15 £4,250) This fee was included in the overall governance costs and allocated proportionately to each individual Trust. In prior years, this fee was included in the overall fee for the Council and not allocated directly to the individual Trusts.

The City of Edinburgh Council Charitable Trusts

Notes to the accounts

For the year ended 31 March 2016

14 Trusts at Market Value - Year Ended 31 March 2016

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Losses on investments £'000	Funds carried forward £'000	2014/15 Market Value £'000
Edinburgh Education Trust	SC042754	886	(21)	17	(38)	852	886
Boyd Anderson	SC025067	120	-	2	-	118	120
Jean F. Watson	SC018971	6,198	(27)	7	(45)	6,173	6,198
Lauriston Castle	SC020737	7,041	(1)	1	(2)	7,039	7,041
Nelson Halls	SC018946	224	(6)	6	(10)	214	224
The Royal Scots Trust	SC018945	33	(1)	2	(2)	30	33
Usher Hall	SC030180	70	-	2	-	68	70
Total Funds		14,572	(56)	37	(97)	14,494	14,572

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

15 Trusts at Market Value - Year Ended 31 March 2016

Charity Name	SC Number	Revaluation Reserve								2015/16 Market Value	2014/15 Market Value
		Unrestricted Funds				Endowment Funds					
		Cash at Bank	Amounts due to Council	Jean F. Watson Collection	Jean F. Watson Collection	Heritable Property	Heritable Property incl. Lauriston Castle	Investments	Investments Market Value Adjustment		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Edinburgh Education Trust	SC042754	131	(5)	-	-	-	-	657	69	852	886
Boyd Anderson	SC025067	120	(2)	-	-	-	-	-	-	118	120
Jean F. Watson	SC018971	84	(1)	855	4,377	-	-	747	111	6,173	6,198
Lauriston Castle	SC020737	4	(4)	-	-	7,001	-	33	5	7,039	7,041
Nelson Halls	SC018946	8	(6)	-	-	-	19	168	25	214	224
The Royal Scots Trust	SC018945	2	-	-	-	-	-	25	3	30	33
Usher Hall	SC030180	71	(3)	-	-	-	-	-	-	68	70
Total Funds		420	(21)	855	4,377	7,001	19	1,630	213	14,494	14,572

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

I certify that I have audited the financial statements of The City of Edinburgh Council Charitable Trusts for the year ended 31 March 2016 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the trustees and auditor

As explained more fully in the statement "Responsibilities of the Trustee", the trustees are responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charities' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the charities' affairs as at 31 March 2016 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.

Opinion on other prescribed matter

In my opinion 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.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

David McConnell, MA, CPFA
Assistant Director
Audit Scotland
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8 Nelson Mandela Place
GLASGOW
G2 1BT

September 2015

David McConnell is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.