

Finance and Resources Committee

10.00am, Thursday, 24 September 2015

The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2014/15 Audit

Item number	7.10
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.

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 2014/15 Audit

Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 Note the Annual Report and Accounts for 2014/15 and that these will be submitted to the External Auditor;
 - 1.1.2 Note that any relevant commentary on the Charitable Trusts has been included in the External Auditor's Annual Report on the 2014/15 Audit which is included in Appendix 1; and
 - 1.1.3 Approve the Annual Report and Accounts for 2014/15 by 30 September 2015.

Background

- 2.1 This 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:
 - there are appropriate systems of control;
 - proper accounting records are maintained which disclose the financial position of the charities;
 - assets of the charities are safeguarded against unauthorised use or disposition;
 - reasonable steps for the prevention and detection of fraud are taken; and
 - reasonable assurances are provided that the charities are operating efficiently and effectively.

Objectives and Activities

- 2.5 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).

Plans for the Future Period

- 2.6 Future plans include the full disbursement of the remaining funds of the Boyd Anderson and Usher Hall Appeal Trusts.

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 in Appendix 1.
- 3.3 The Auditor has drawn Members' attention to the following two key points:
- The need for the Finance and Resources Committee to develop a Reserves policy for each Charitable Trust.

As a result of this point being raised, the Finance & Resources Committee will agree an individual policy for each of the Charitable Trusts during 2015/16.

- The need for a revaluation of the Jean F. Watson and Lauriston Castle assets to be incorporated into the 2015/16 Charitable Trust Annual Accounts.

As a result of this point being raised, subject to sufficient resources being available, a detailed external revaluation of Jean F. Watson and Lauriston Castle Trust should be carried out to update their valuations to current prices for incorporation in the 2015/16 Charitable Trust Annual Accounts.

- 3.4 The Audited Financial Statements for 2014/15 are shown in Appendix 2.

Measures of success

- 4.1 The Charitable Trusts receive an unqualified audit certificate from the External Auditor by 30 September 2015.

Financial impact

- 5.1 There is no direct financial impact of the report's contents but the fund balances carried forward as of 31 March 2015 have increased by £197,000 (£141,000 2013/14). This represents the net impact of £64,000 of investment income, a net £12,000 increase from revaluation and transfer of Trusts, an increase in unrealised gain on investments of £140,000 offset by £19,000 expended on charitable activities and governance costs.

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 in July 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

None.

Alastair D Maclean

Deputy Chief Executive

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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 2014/15 Audit Appendix 2 – Audited 2014/15 Financial Statements

City of Edinburgh Council - Registered Charitable Trusts

Report to those charged
with governance on the
2014/15 audit



Prepared for the members of City of Edinburgh Council
September 2015

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	6
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 2014/15 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 trustees of each charity will be provided a copy of the ISA 260 report on 24 September 2015 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 trustees' consideration the matters arising from the audit of the financial statements for 2014/15 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 10 September 2015.
6. We received the unaudited financial statements by 30 June 2015, 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 2015.

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 23 April 2015, 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 2014/15 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 trustees 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 24 September 2015 (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 £30. There were none identified as part of our audit work.
13. One monetary adjustment was identified during the course of our audit. The annual accounts presented for audit disclosed an investment balance of £1,933,000 at 31 March 2015. This balance had been understated £7,000. An adjustment has been made in the accounts presented for signing, along with a corresponding increase in the gains on investment recognised in the statement of financial activities. The effect of this adjustment is to increase the net assets at of the trusts at 31 March 2015 by £7,000.
14. The council has continued to recharge administration costs to the trusts in 2014/15. However the audit fee of £4,250 has not been recharged, and this has been disclosed in note 13 to the accounts.
15. As part of the completion of our audit we seek written assurances from the Accountable 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 Head of Finance with the signed financial statements prior to the independent auditor's opinions being certified.

Accounting and internal control systems

16. 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

17. 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.
18. **Heritage assets future revaluation programme:** In our 2013/14 report to those charged with governance, we noted that the valuation of certain heritage assets had not been reassessed for a number of years. The 2013/14 valuation of the Jean F Watson artwork collection was based on market values established in 2003/04, and the Lauriston Castle Trust collection was based on insurance valuations from 1997.
19. During 2014/15 the Jean F Watson artwork collection was reviewed internally, and assets in excess of £4,000 were revalued, resulting in an upwards revaluation of £1.304 million in the 2014/15 accounts. A detailed external revaluation of the more significant pieces in the collection is planned for 2015/16, along with a revaluation exercise on the Lauriston Castle Trust assets.

Resolution: The revaluation of the Lauriston Castle Trust assets will be incorporated into the 2015/16 charitable trust annual accounts, along with any movements resulting from the external revaluation of the Jean F Watson collection.

20. **Reserves policy:** The Charities Statement of Recommended Practice (SORP) set out the disclosure requirements of a trustee annual report. The trustee annual report should contain a financial review which explains the charity's policy on reserves, including the level held and why they are held. The financial review in the 2014/15 charitable trusts' annual report and accounts does not mention the reserves policy for the trusts, although there is a reference within the notes to the accounts. These notes explain the endowment fund is maintained as a capital fund and goes on to note that the Finance and Resources Committee will agree a policy on reserves for each of the trusts. However, these individual policies have yet to be agreed.

Resolution: The financial review in the 2014/15 annual report and accounts will be amended to include reference to the reserves policy. Going forward, the individual policy for each trust should be agreed by the Finance and Resources Committee, and disclosed in future annual report and accounts.

Acknowledgements

21. 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 trustees of City of Edinburgh Council Charitable Trusts and the Accounts Commission for Scotland

I certify that I have audited the financial statements of City of Edinburgh Council Charitable Trusts for the year ended 31 March 2015 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 Statements, 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 charity's 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 2015 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
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September 2015

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 2015

David McConnell
Assistant Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
Nelson Mandela Place
Glasgow
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 2014/15

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 2015 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 2015 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 trustees 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 2015.

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 Trustees 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 2015.

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 Trustees have 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.

12. Since the date of the balance sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

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

Fraud

14. 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

15. The cash fund and investments shown in the statement of balances at 31 March 2015 were owned by the registered charitable trusts. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.
16. 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 2015/16 financial statements.
17. 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
Head of Finance

**The City of Edinburgh Council Charitable Trusts
Trustee's Annual Report and Accounts
for the year ended 31 March 2015**

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.

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."

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Trustee's Annual Report

The trustee presents their annual report and financial statements of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2015. The financial statements 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 (revised 2005), commonly referred to as the SORP.

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.

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.

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.
3. Safeguarding the assets of the charities.
4. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
5. 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.

Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2015 are as follows:

Name	Scottish Charity Registration Number	Purposes	Market Value at 31/3/15 £'000
Jean F. Watson	SC018971	The purchase of works of art by artists who have connections with the city	6,198
Edinburgh Education Trust	SC042754	To fund activities to support Looked after Children and school prizes	886
Nelson Halls	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	224
G Boyd Anderson	SC025067	Provision of outdoor education and skiing opportunities	120
Usher Hall Conservation Trust	SC030180	Raise funds for the renovation of the Usher Hall	70
Lauriston Castle Trust	SC020737	To make the artefacts and buildings available to be viewed by the public	7,041
Royal Scots Monument Trust	SC018945	Maintenance of the Royal Scots Monument	33
Total			14,572

Achievements and Performance

Progress on the implementation of the new investment arrangements and the trust reorganisation project is described in the sections that follow.

There has been a revaluation of 177 items belonging to the Jean F. Watson collection, increasing the total valuation of the collection by £1,304,000. The new IT inventory system Ke Emu is now live and it will contain a record of items, where they are located and their valuations.

The Edinburgh Education Trust provided £2,108 to contribute to a range of activities for looked after children and school prizes.

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2015. This section describes briefly the key points of each statement. Please be aware that the financial statements and notes have been rounded to the nearest thousand.

The Statement of Financial Activities - Shows that the total income from generated funds to be £64,102 (2013/14 £72,007). This decrease in income compared to the previous year is largely due to the transfer of the Surplus Fire Fund to Edinburgh Voluntary Organisation Trust (EVOT) during the financial year.

The direct expenditure on charitable activities is lower than last year, after discounting the impact of the 2013/14 accrual reversal in the Boyd Anderson Trust. This once again is primarily as a result of the transfer of the Surplus Fire Fund to EVOT; as last year £29,648 was spent by the Surplus Fire Fund compared to nothing this year. In addition, grants were paid from the Edinburgh Education Trust; these were primarily to fund activities for Looked after Children.

The total resources expended is £19,000 (2013/14 £-728). This total is detailed in Note 3, with the values against Nelson Hall, Lauriston Castle and Royal Scot Monument being allocated to the maintenance of the assets. The negative amount last year is the product of both expenditure and the reversal of accruals made in respect of awards by the Boyd Anderson Trust which were not paid out due to two beneficiaries not being able to meet the conditions required to receive the funding.

The Balance Sheet - fixed asset investments have decreased from £3,007,899 to £1,940,682. Whilst this appears to be a significant decrease, £1,076,313 relates to the transfer of the Surplus Fire Fund. Movements on the valuation of the investments are further analysed in note 14 and note 15.

Fixed asset properties and collections have been included in the accounts at revalued amounts. The Jean F. Watson Art Collection (items over £4,000) has been revalued, increasing the value of the collection by £1,304,000 to £5,231,960.

The plan for the rationalisation of the Councils 118 trusts was approved by the Pensions and Trusts Committee on 8 December 2008. The rationalisation process required separate bank accounts to be established for the trusts, which has now been completed.

The reserves policy for the Charitable Trusts is outlined in Note 1, with the Finance & Resources Committee to agree an individual policy for each of the Charitable Trusts during 2015/16.

Investment Policy and Performance

The current asset allocation is 22% in Charibond Charities Fixed Interest, 37% in Chariguard UK Equities Income and 41% in Chariguard Overseas Fund Income; against an original target allocation of 25% bonds, 37.5% UK equities and 37.5% Global Equities.

The objective for each fund is to match the performance of their respective benchmark indices. 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.

With regard to the performance to the year ended 31 December 2014, the Chariguard UK Equities Fund was just above the benchmark. The fund returned 1.18% compared to the benchmark of 1.1%. The performance of the Chariguard Overseas Equities Fund exceeded its benchmark, as it returned 9.97% compared to the benchmark of 9.7%.

In 2013/14, RCM were taken over by Allianz and the RCM Fixed Interest Fund was liquidated. To replace these fixed interest investments the funds were transferred to M&G during 2013/14. Performance information for 12 months to 3 November 2014 by Charibond Charities Fixed Interest Common Investment Fund was a total return (capital performance with gross income reinvested) of 4.9% compared to the FTSE British Government All Stocks Index - a broad index of UK government bonds which does not include corporate bonds - which returned 6.4% over the same period. While the value of Charibond's income shares fell slightly in the review period, its distribution yield on 3 November 2014 was maintained at 5.2% with this expected to be maintained for the next 12 months.

Reorganisation of Charitable Trusts

The Council is committed to making the management and administration of its charities and other trusts more effective, so that the benefit to the public can be maximised and risks minimised. On 8 December 2008, the Pensions and Trusts Committee approved a strategy to radically restructure its charities and other trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital.

A decision was made to transfer the Surplus Fire Fund to the Edinburgh Voluntary Organisations Trust (EVOT) by the Pension and Trusts Committee on 6 December 2011. The transfer was agreed subject to a safeguard in the deed of appointment which ensures that the Surplus Fire Fund operates as a restricted fund within EVOT and that the Fire Brigades Union will have the right to send up to two representatives to meetings where Surplus Fire Fund business is considered. The transfer required new legislation to be passed which successfully progressed through the Scottish Parliament in April 2014. As a result, the transfer was successfully completed in 2014/15.

Pensions and Trusts Committee approved the creation of a new educational charity to receive the assets of 53 small trusts. Work on consolidating these trusts into a new 'Edinburgh Education Trust' charity was completed in 2014. With the creation of the Edinburgh Education Trust there has been a focus on looked-after children and the existing school pupil prizes.

Further rationalisation of the administration of the charitable trusts has been progressed and the Jean F. Watson Committee now deals with the future spending plans of the Catherine Cowper Trusts.

It had previously been agreed by Committee to wind up the Boyd Anderson Trust and plans were agreed for the final disbursements of the capital of the Boyd Anderson Trust for appropriate snow sports developments that directly relate to the legacy of George Boyd Anderson. These payments have been unable to complete because two potential beneficiaries were not able to meet the conditions required to receive the funding. Once the expenditure is completed, which should be in 2015/16, an application will be made to OSCR to remove the charity from the Register.

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

Signed on behalf of the trustee of the charities:

Councillor Alasdair Rankin

Convener of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2015

	Note	Unrestricted funds	Endowment funds	Total funds 2014/15	Total funds 2013/14
		£'000	£'000	£'000	£'000
Incoming resources					
<i>Incoming resources from Generated Funds</i>					
Investment income	2	64	-	64	72
Total incoming resources		<u>64</u>	<u>-</u>	<u>64</u>	<u>72</u>
Resources expended					
<i>Charitable Expenditure</i>					
Charitable activities	3	10	-	10	(15)
Governance costs	4	9	-	9	14
Trusts transferred to external charities	14	84	1,208	1,292	-
Total resources expended		<u>103</u>	<u>1,208</u>	<u>1,311</u>	<u>(1)</u>
Net (outgoing) / incoming resources before other recognised gains and losses:					
		<u>(39)</u>	<u>(1,208)</u>	<u>(1,247)</u>	<u>73</u>
Gains on revaluation of fixed assets for charity's own use	5	1,304		1,304	
Realised and unrealised gains on investments	14	-	140	140	68
Net movement in funds		<u>1,265</u>	<u>(1,068)</u>	<u>197</u>	<u>141</u>
Reconciliation of funds					
Capital as 1 April 2014		1,266	2,802	4,068	3,928
Revaluation Reserve		3,073	7,001	10,074	10,074
Market Value Adjustment		8	225	233	233
Fund balances brought forward		<u>4,347</u>	<u>10,028</u>	<u>14,375</u>	<u>14,234</u>
Fund balances carried forward	15	<u>5,612</u>	<u>8,960</u>	<u>14,572</u>	<u>14,375</u>

Prior year adjustments are explained in *Note 11*.

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2015

	Note	Unrestricted funds	Endowment funds	Total funds 2014/15	Total funds 2013/14
		£'000	£'000	£'000	£'000
Fixed Assets:					
Jean F. Watson Collection	5	5,232	-	5,232	3,928
Heritage Assets	6	-	7,020	7,020	7,020
Investments	7	-	1,940	1,940	3,008
		<u>5,232</u>	<u>8,960</u>	<u>14,192</u>	<u>13,956</u>
Current Assets:					
Cash at Bank	8	413	-	413	479
		<u>413</u>	<u>-</u>	<u>413</u>	<u>479</u>
Liabilities:					
Creditors due within one year	9, 10	33	-	33	60
		<u>33</u>	<u>-</u>	<u>33</u>	<u>60</u>
Net Current Assets		<u>380</u>	<u>-</u>	<u>380</u>	<u>419</u>
Net Assets		<u>5,612</u>	<u>8,960</u>	<u>14,572</u>	<u>14,375</u>
Financed by:					
Unrestricted Funds	15	1,235	-	1,235	1,274
Endowment Funds	15	-	1,959	1,959	3,027
Revaluation Reserve	14	4,377	7,001	11,378	10,074
		<u>5,612</u>	<u>8,960</u>	<u>14,572</u>	<u>14,375</u>

The unaudited accounts were issued on 30 June 2015. The audited accounts were authorised for issue on 24 September 2015. I confirm that these Annual Accounts were approved for signature by the Finance and Resources Committee at its meeting on 24 September 2015.

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 2015

	31 March 2015 £'000	31 March 2015 £'000
Operating Activities		
Interest received (<i>Note 2</i>)	(64)	
Cash inflows generated from operating activities	<hr/>	(64)
Cash paid to School Pupils (<i>Note 3</i>)	2	
Cash paid to cover Legal Fees (<i>Note 3</i>)	1	
Cash outflows generated from operating activities	<hr/>	3
Net cash flows from operating activities		<hr/> (61)
Investing Activities		
Transfer of Surplus Fire Fund to Edinburgh Voluntary Organisations Trust	127	
Net cash flows from investing activities	<hr/>	127
Net cash flows from financing activities		<hr/> 0
Net (increase)/decrease in cash and cash equivalents		<hr/> 66
	April 2014	
Cash and cash equivalents (<i>Note 8</i>)	479	
	<hr/>	479
	March 2015	
Cash and cash equivalents (<i>Note 8</i>)	413	
	<hr/>	413
Net (increase)/decrease in cash and cash equivalents		<hr/> 66

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2015

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at market value, in accordance with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) commonly referred to as the SORP.

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the Trust Funds 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.

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) Resources expended

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 on heritable property.

f) Heritage assets and depreciation

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation. The type of assets include 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. With a manageable number of trusts remaining, the Finance & Resources Committee will agree a policy on reserves for each of the trusts, set with reference to any specific requirements in the trust deed and the aims of the charity.

2 Investment income

	2014/15	2013/14
	£'000	£'000
Dividend income	63	69
Interest received	1	2
	<u>64</u>	<u>71</u>

3 Cost of charitable activities

	2014/15	2013/14
	£'000	£'000
Direct Expenditure:		
Boyd Anderson - snow sport projects and property repair	0	(57)
Surplus Fire Fund Legal Fees	1	30
Lauriston Castle	1	1
Royal Scots Monument	0	0
Nelson Halls	6	4
Education Grants	2	7
	<u>10</u>	<u>(15)</u>
Allocation of governance costs	9	14
Total cost of charitable activities	<u>19</u>	<u>(1)</u>

4 Governance costs

	2014/15	2013/14
	£'000	£'000
Allocated costs	9	14

No trustee received any remuneration or expenses during year ending 31 March 2015.
There are no employees of the City of Edinburgh Council Charitable Trusts.

5 Jean F. Watson collection

	2014/15	2013/14
	£'000	£'000
Balance brought forward at 1 April	3,928	3,928
Revaluation during the year	1,304	-
Balance carried forward at 31 March	<u>5,232</u>	<u>3,928</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. For the 2014/15 accounts, items valued over £4,000 have been revalued internally and this figure has been used in the accounts. A detailed external valuation of the highest value works is proposed for 2015/16. A full inventory of the Jean F Watson collection is nearing completion and these items will be recorded in the new IT system, Ke Emu.

6 Heritage Assets

	2014/15	2013/14
	£'000	£'000
Nelson Halls Trust	19	19
Lauriston Castle	7,001	7,001
	<u>7,020</u>	<u>7,020</u>

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 Lauriston Castle valuation includes £5m based on full inventory evaluation of the collection.

7 Investments	At 31/3/14	Purchases at cost	Transferred/ Sold	Net gain on revaluation	At 31/3/15
	£'000	£'000	£'000	£'000	£'000
Investments	3,008	-	(1,077)	9	1,940
	<u>3,008</u>	<u>-</u>	<u>(1,077)</u>	<u>9</u>	<u>1,940</u>

The (£1,077) relates to the transfer of the Surplus Fire Fund investments to EVOT.

8 Cash at bank

	2014/15	2013/14
	£'000	£'000
Boyd Anderson	127	127
Edinburgh Education Trust	130	111
Surplus Fire Fund	0	119
Usher Hall	72	71
Jean F. Watson	65	39
Nelson Halls	13	8
Royal Scots Monument	4	3
Lauriston Castle	2	1
	<u>413</u>	<u>479</u>

9 Creditors due within one year	Unrestricted funds £'000	Endowment funds £'000	2014/15 Total £'000	2013/14 Total £'000
Legal fees for 2013/14 paid by Surplus Fire	-	-	-	6
Amounts due to the Council	33	-	33	54
	<u>33</u>	<u>-</u>	<u>33</u>	<u>60</u>

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 £33,287 was owed to the Council by the Trusts (2013-14 £53,765).

11 Prior Period Adjustment

The market value of Jean F. Watson was understated and Nelson Halls was overstated by £12,895 in 2013/14, however, this did not affect the overall Market Value of the Trusts as at 31 March 2014.

Similarly, the market value of the Surplus Fire Fund was understated and Boyd Anderson was overstated by £6,178 in 2013/14, however, this did not affect the overall Market Value of the Trusts as at 31 March 2014.

12 Post Balance Sheet Event

Events after the balance sheet date

There have been no events since 31 March 2015, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

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 2014/15. This fee was included in the overall fee for the Council and not allocated directly to the individual Trusts.

14 Trusts at Market Value - Year Ended 31 March 2015

Charity Name	SC Number	(Re-stated) Funds b/fwd £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Jean F. Watson Revaluation £'000	Transfer to EVOT £'000	Funds carried forward £'000	(Re-stated) 2013/14 £'000
Edinburgh Education Trust	SC042754	815	21	(5)	55	0	0	886	815
G Boyd Anderson	SC025067	123	0	(3)	0	0	0	120	123
Jean F. Watson	SC018971	4,805	25	(1)	65	1,304	0	6,198	4,805
Lauriston Castle Trust	SC020737	7,038	1	(1)	3	0	0	7,041	7,038
Nelson Halls Trust	SC018946	209	6	(6)	15	0	0	224	209
Royal Scots Monument Trust	SC018945	30	1	-	2	0	0	33	30
Surplus Fire Fund	SC018967	1,283	10	(1)	0	0	(1,292)	0	1,283
Usher Hall Conservation Trust	SC030180	72	0	(2)	0	0	0	70	72
		14,375	64	(19)	140	1,304	(1,292)	14,572	14,375

15 Trusts at Market Value - Year Ended 31 March 2015

Charity Name	SC Number	Jean F. Watson Collection	Heritage Assets incl. Lauriston Castle	Investments	Investments Market Value Adjustment	Cash at Bank	Amounts due to Council	Total	(Re-stated) 2013/14
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Edinburgh Education Trust	SC042754	0	0	657	106	130	(7)	886	815
G Boyd Anderson	SC025067	0	0	0	0	127	(7)	120	123
Jean F. Watson	SC018971	5,232	0	747	156	65	(2)	6,198	4,805
Lauriston Castle Trust	SC020737	0	7,001	34	7	2	(3)	7,041	7,038
Nelson Halls Trust	SC018946	0	19	168	35	13	(11)	224	209
Royal Scots Monument Trust	SC018945	0	0	25	5	4	(1)	33	30
Surplus Fire Fund	SC018967	0	0	0	0	0	0	0	1,283
Usher Hall Conservation Trust	SC030180	0	0	0	0	72	(2)	70	72
		5,232	7,020	1,631	309	413	(33)	14,572	14,375

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 City of Edinburgh Council Charitable Trusts for the year ended 31 March 2015 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 Statements, 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 charity's 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 2015 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
4th Floor South Suite
The Athenaeum Building
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.