

Finance and Resources Committee

10.00am, Thursday, 10 November 2022

The City of Edinburgh Council Charitable Trusts and Charitable Funds – Report to those charged with governance on the 2021/22 Audit

Item number
Report number
Executive/routine

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
- 1.1.1 approve the Trustee's Annual Reports and Accounts for 2021/22 and note that these will be submitted to the External Auditor no later than 30 November 2022 and to the Office of the Scottish Charity Regulator (OSCR) by 31 December 2022; and
 - 1.1.2 note the commentary on the management of the Charitable Trusts and Funds included in the Audit Findings Report in Appendix 1.

Richard Carr

Interim Executive Director of Corporate Services

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Report

The City of Edinburgh Council Charitable Trusts and Charitable Funds – Report to those charged with governance on the 2021/22 Audit

2. Executive Summary

- 2.1 The report updates the committee with the External Auditor's view on matters arising from the Charitable Trusts and Charitable Funds audit in compliance with International Standard on Auditing 260.
- 2.2 An unqualified audit opinion has been issued on the Trustee's Annual Reports and Accounts for 2021/22.

3. Background

- 3.1 The purpose of this report is to update the Committee with the External Auditor's view on matters arising from the annual audit in compliance with International Standard on Auditing 260 (ISA 260).
- 3.2 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts and Charitable Funds.
- 3.3 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.
- 3.4 The Council, as 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; and

- vi. reasonable steps for the prevention and detection of fraud are taken and reasonable assurances are provided that the charities are operating efficiently and effectively.

4. Main report

Key Points from the Audit Findings Report for 2021/22

- 4.1 The independent auditor's report to the trustee of The City of Edinburgh Council Charitable Trusts and Charitable Funds, included as Appendix 1, is unqualified.
- 4.2 The Trustee's Annual Reports and Accounts for 2021/22 are included in Appendices 2 and 3 of this report. The key points the External Auditor has drawn to members' attention are:
 - i. **Basis of accounts and the going concern policy of the Charitable Trusts and Charitable Funds**

On 23 January 2018, the Finance and Resources Committee approved a proposal to use the remaining Boyd Anderson funds to build a modular log cabin-type classroom and storage space at Lagganlia Outdoor Education Centre. Consent to wind up this charitable trust was received from OSCR in December 2017. As a result, separate accounts have been prepared for Boyd Anderson Trust using a break-up basis of accounting, included as Appendix 3. The financial statements for the remaining five trusts are prepared on the going concern basis and included as Appendix 2. The Trustee is of the opinion those trusts are a going concern from reviewing activities undertaken, based on expected expenditure commitments in the coming year.
 - ii. **Recognition of Council support funding for the running and maintenance of the Trusts**

The financial statements reflect the total income generated, and expenditure of running and maintaining, Lauriston Castle, the Nelson Halls and The Royal Scots Monument. This includes the support funding from the City of Edinburgh Council towards the operating and maintenance costs of these assets. The total support funding from The City of Edinburgh Council across the Trusts in the year was £299,800 (2020/21 £236,300).
 - iii. **Regular financial information should be presented to the Finance and Resources Committee (or those charged with the governance of the Charitable Trusts and Charitable Funds)**

While activity during the year was somewhat limited and any revised governance arrangements are still to be implemented, an update was provided in the Business Bulletin of the Finance and Resources Committee on 16 June 2022. It is intended to introduce a six-monthly financial update to elected members, aligned to the revised governance arrangements, after these changes are completed.

- iv. **Financial forecasts should be prepared and presented to the Finance and Resources Committee (or those charged with the governance of the Charitable Trusts and Charitable Funds) to enable the taking of decisions over their longer-term financial position of the Trusts**

Members of the Committee on the Jean F. Watson Bequest already receive regular financial updates to inform decisions on the allocation of available funds. While four of the other five trusts are either in receipt of a net funding contribution from the Council or are being wound up, further opportunities to improve financial planning will nonetheless be considered and reported as part of the revised governance arrangements. In this vein, an interim update was provided in the Business Bulletin of the Finance and Resources Committee on 16 June 2022 as noted above.

- v. **Councillors who may in future be appointed to act as Trustees to the City of Edinburgh Council charitable trusts review and update their registers of interest, if required, to reflect their role as Trustee**

Relevant registers of interests will be updated once the process of implementing the revised governance arrangements, referenced at 4.4 below, is concluded.

Post COVID-19 updates on the Charitable Trusts and Funds' activities

- 4.3 The impact of COVID-19 was considered in the preparation of the Charitable Trusts' and Funds' accounts and has been assessed to be immaterial. However, some of their activities were restricted during the pandemic but are now returning towards full operations as detailed below:

- i. **Edinburgh Education Trust**

Bursaries and grants were awarded to individual pupils and schools during the financial year. However, the Edinburgh Education Trust panel that is responsible for reviewing funding applications for excursion projects remained suspended during the 2021/22 financial year and there were therefore no funding applications received for excursions in 2021/22.

- ii. **Boyd Anderson Charitable Fund - Construction works at Lagganlia**

The winding-up of the Boyd Anderson Trust is yet to be completed pending the completion of the construction works at Lagganlia Snowsports Base, at which point the remaining funds will be transferred. The construction works had to be paused in compliance with COVID restrictions. The Council has reviewed the project post-COVID and found the costs of the original project now to be prohibitive. The Council is exploring alternative options to deliver the project and a new business case will be submitted for approval. It is anticipated that the project will be completed by the Summer of 2023.

iii. **Nelson Halls and Lauriston Castle**

In light of public health restrictions, the Nelson Halls and Lauriston Castle building were closed for some, or all, of 2020/21 but have now been fully re-opened to the public.

Future plans

- 4.4 The Council is currently conducting a review of its administration of trusts. At the Finance and Resources Committee meeting of 12 August 2021, details were provided of the principal findings of an external review of the effectiveness of current governance arrangements in discharging the Council's responsibilities under the Deed of Trust for Lauriston Castle Trust (LCT). In considering the report's recommendations, members agreed to receive a further report, including a routemap on a proposed way forward for the Trust. Consideration of options for adapting the governance of LCT remains in progress, with any changes likely to take place in 2023. Arrangements for the other trusts of which the Council is sole trustee will be reviewed in the light of this consideration.
- 4.5 The remaining funds of the Boyd Anderson Trust are yet to be fully disbursed. The Lagganlia Snowsports Base project, for which the funds have been allocated, is still on-going, as referenced in 4.3 (ii) above, and the funds will be disbursed on its completion.

5. Next Steps

- 5.1 Subject to the Committee's approval, the audited Trustee's Annual Report and Accounts for 2021/22 will be submitted to the External Auditor no later than 30 November 2022.

6. Financial impact

- 6.1 There is no direct financial impact arising from the content of this report, although the revised presentation of the Trusts' income and expenditure is considered to aid transparency and highlight the importance and extent of current funding support from the Council.

7. Stakeholder/Community Impact

- 7.1 The Annual Report and Accounts were made available for public inspection from 30 June 2022 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. This year's inspection process was

undertaken largely by electronic means. There was no correspondence received as part of this process in relation to the Charitable Trusts.

8. Background reading/external references

- 8.1 [‘Guidance and good practice for Charity Trustees’](#), OSCR Website
- 8.2 [‘Charitable Trusts Reserves Policy’](#), Finance and Resources Committee, 17 March 2016
- 8.3 [‘Winding Up of Boyd Anderson Charitable Trust’](#), Finance and Resources Committee, 23 January 2018
- 8.4 [‘Spend to Save funding application – Lagganlia Outdoor Centre’](#), Finance and Resources Committee, 16 August 2018
- 8.5 [‘The City of Edinburgh Council Charitable Trusts - Report to those charged with Governance on the 2020/21 Audit’](#), Finance and Resources Committee, 18 November 2021
- 8.6 [Business Bulletin](#), Finance and Resources Committee, 16 June 2022

9. Appendices

- 9.1 The City of Edinburgh Council Charitable Trusts Audit Findings Report for the year ended 31 March 2022.
- 9.2 Audited Trustee’s Annual Report and Accounts for The City of Edinburgh Council Charitable Trusts, 2021/22.
- 9.3 Audited Trustee’s Annual Report and Accounts for The City of Edinburgh Council Charitable Funds (Boyd Anderson), 2021/22.



The City of Edinburgh Council Charitable Trusts & The City of Edinburgh Council Charitable Funds

Audit findings report

Year ended 31 March 2022

Our ref: NIBE/CITYEC01/31 March 2022

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

10 November 2022

Dear Sirs

**The City of Edinburgh Council Charitable Trusts & City of Edinburgh Council Charitable Funds
Audit findings for the year ended 31 March 2022**

This Audit Findings Report highlights the significant findings arising from the audit of the charitable trust funds administered by the City of Edinburgh Council for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by City of Edinburgh Council management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit. If we can be of any further assistance, please contact Nick Bennett.

Yours faithfully

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1. Executive summary

Audit overview

This table summarises the key findings from the external audit of the charitable trust funds administered by City of Edinburgh Council (The City of Edinburgh Council Charitable Trusts and The City of Edinburgh Council Charitable Funds) for the year ended 31 March 2022 for those charged with governance.

Audit opinions	<p>Our independent auditor's report to the Trustee of The City of Edinburgh Council Charitable Trusts is unqualified. In our opinion the financial statements of those charities listed below (collectively referred to as 'The City of Edinburgh Council Charitable Trusts') give a true and fair view and comply with the Charities and Trustee Investment (Scotland) Act 2005, Charities Accounts (Scotland) Regulations 2006 (as amended), and all applicable accounting standards.</p> <ul style="list-style-type: none">• Jean Fletcher Watson (SC018971)• Edinburgh Education Trust (SC042754)• Nelson Halls Trust (SC018946)• Lauriston Castle Trust (SC020737)• The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945) <p>The financial statements have been prepared using the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). This would be the case where charities have a common trustee. The City of Edinburgh Council's acts as sole Trustee for these charitable trusts. The Council's Finance and Resources Committee has delegated authority from the Council to act in the role of Trustee of its charities.</p> <p>We have no matters to report regarding the adoption of the going concern basis or inadequate disclosures relating to material uncertainties in respect of the five charitable trusts which comprise The City of Edinburgh Council Charitable Trusts.</p> <p>A separate set of financial statements has been prepared for The City of Edinburgh Council Charitable Funds (Boyd Anderson). Our independent auditor's report on these financial statements is unqualified. We have, however, drawn attention in our independent auditor's report to the fact that the City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared using a break-up basis of accounting as the Trustee considers that it is not a going concern. Our opinion is not modified in respect of this matter.</p>
Key findings on audit risks and other matters	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>The Council had appropriate administrative processes in place to prepare the financial statements and the required supporting working papers.</p>

1. Executive summary (continued)

Audit adjustments	<p>We identified no audit adjustments to The City of Edinburgh Council Charitable Trusts or The City of Edinburgh Council Charitable Funds (Boyd Anderson) financial statements. There were also no unadjusted audit differences.</p> <p>Presentational adjustments were proposed and accepted by City of Edinburgh Council management.</p>
Accounting systems and internal controls	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the charitable trusts' processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

2. Significant risk areas

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Key risk area	Audit Approach	Conclusions
Management override In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - <i>The auditor's responsibilities relating to fraud in an audit of financial statements</i> .	In response to this risk, we reviewed the Trusts' accounting records and obtained evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We also reviewed the key accounting estimates, judgements and decisions made by management.	We have not identified any indications of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.
Revenue recognition Under ISA (UK) 240 - <i>The auditor's responsibilities relating to fraud in an audit of financial statements</i> there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Trusts could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.	We evaluated each type of revenue transaction and reviewed the controls in place over revenue accounting. We considered the Trusts' key revenue transactions and streams and carried out testing to confirm that the Trusts' revenue recognition policy is appropriate and has been applied consistently throughout the year and accounted for correctly.	Overall we have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

2. Significant risk areas

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Key risk area	Audit Approach	Conclusions
<p>Lauriston Castle Trust: governance arrangements</p> <p>In 2020/21, we received an objection in relation to the City of Edinburgh Council Charitable Trusts financial statements. The objection raised issues over the governance of Lauriston Castle Trust. The objection claimed that the Council is not the sole trustee of the Lauriston Castle Trust, and that magistrates are also perpetual trustees.</p> <p>The Council obtained legal advice confirming that the City of Edinburgh Council is the sole trustee of the Lauriston Castle Trust. The Council is currently conducting a review of its administration of trusts.</p> <p>At the Finance and Resources Committee meeting of 12 August 2021, details were provided of the principal findings of an external review of the effectiveness of current governance arrangements in discharging the Council's responsibilities under the Deed of Trust for Lauriston Castle Trust (LCT). In considering the report's recommendations, members agreed to receive a further report to full Council early in the new year including a routemap on a proposed way forward for the Trust, as well as reviewing the arrangements for the other trusts of which the Council is sole trustee with reference to the arrangements agreed for Lauriston Castle Trust.</p> <p>We understand that the report will propose to reshape Lauriston Castle Trust. Assuming this is approved, an application will subsequently be made to OSCR to implement a reorganisation scheme which will vary the terms of the Deed of Trust.</p>	<p>In response to this risk, we considered any approved changes to the governance structures of the charitable trusts and the impact this had on the financial statements of the trusts.</p>	<p>No changes were made to the governance arrangements of the charitable trusts in 2021/22.</p> <p>The review was postponed due to local government elections in May 2022. The Council is considering options for adapting the governance of the Trust, which is likely to take place in 2023. The outcome of this review will be reported to a future Committee.</p>

2. Significant risk areas

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Key risk area	Audit Approach	Conclusions
<p>Asset valuations (significant accounting estimate)</p> <p>Heritage Assets are stated in the accounts at a revalued amount where this is available. The valuation base for such assets is value for insurance purposes. Where this information is not available, historic cost has been used. This is the case for the Lauriston Castle buildings and grounds, Nelson Halls and the Royal Scots Monument.</p> <p>The Lauriston Castle valuation of £7.6million includes £2million for the Lauriston Castle buildings and grounds based on historic cost and £5.6million based on full inventory valuation of the collection. An external revaluation of the collection was completed in November 2020 by Art & Antiques Appraisals.</p> <p>There is a significant degree of subjectivity in the measurement and valuation of fixed assets. This subjectivity and the material nature of the asset base represents an increased risk of misstatement in the financial statements.</p>	<p>We will ensure that tangible fixed assets are recorded in the financial statements in accordance with the Charities SORP (FRS 102) and the charitable trusts' accounting policies and have been accounted for appropriately. We will review asset valuations and ensure that the Council has completed a recent assessment for impairment across the portfolio.</p> <p>Where applicable, we will consider the competence, capability and objectiveness of the valuer in line with ISA (UK) 500 Audit Evidence. We will review the valuation report and consider the assumptions used by the valuer against external sources of evidence. In addition, we will consider the scope of the valuer's work and the information provided to the valuer for completeness. We will ensure that all key assumptions and estimates over the valuation of tangible fixed assets are formally reviewed on an annual basis to ensure these remain appropriate</p>	<p>In 2021/22 there were no asset valuation exercises carried out over the charitable trusts' heritage assets.</p> <p>The Council's in-house valuer includes, as part of their annual review of the council asset portfolio, Lauriston Castle and Nelson Halls to identify if there are any changes in value of those assets including impairment. There were no material changes identified in respect of these assets.</p> <p>Management rely on the team who are responsible for the JFW artwork to notify of any impairment / changes to the value of the portfolio. No changes were identified in respect of these assets.</p> <p>An external revaluation of the Lauriston Castle Collection was completed in November 2020 and incorporated into the 2020/21 financial statements. No further work was carried out by management in year as to the value of this collection.</p> <p>Overall, the accounting policy and judgements taken by management in the preparation of the accounts are consistent with the requirements of the Charities SORP (FRS 102) in respect of heritage assets.</p> <p>We have gained reasonable assurance on the value of fixed assets and are satisfied that fixed assets are fairly stated in the financial statements.</p>

2. Significant risk areas

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Key risk area	Audit Approach	Conclusions
<p>Recognition of Council support on the running and maintenance of the Trusts (significant accounting estimate)</p> <p>The financial statements include income and expenditure associated with the running and maintenance of Lauriston Castle, Nelson Halls and The Royal Scots Monument (incorporated into the Royal Scots Trust). This includes support funding from the City of Edinburgh Council towards the operating and maintenance costs of these assets. The key judgements and estimates applied are as follows:</p> <ul style="list-style-type: none">• Lauriston Castle Trust: time-based estimates of curatorial and management costs where relevant staff also have responsibility for other Council operated venues. An estimate of gardening costs, comprising employee and associated materials expenditure, is also included.• Nelson Halls: based on the total floorspace (in sqm) covered by the halls as a percentage of the entire floorspace of the libraries or community centres to which they are attached.• The Royal Scots Monument: based on the estimated cost, as provided by Parks and Greenspace services, for maintaining the specific grounds the monument is situated. <p>There is a risk that the judgements and estimations applied are inappropriate and materially misstated in the financial statements.</p>	<p>Our audit testing focused on the recognition of Council support in the financial statements where values and balances are derived by judgement and estimation.</p>	<p>The key judgements and estimates applied by management are the same as applied in the previous year.</p> <p>We considered the judgements and estimates applied and consider these to be appropriate. We did not identify any areas of bias in the judgements made by management and the estimation techniques applied were consistent with the prior year.</p> <p>We have gained reasonable assurance that the support in kind from City of Edinburgh Council is fairly stated in the financial statements.</p>

2. Significant risk areas (continued)

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Key risk area	Audit Approach	Conclusions
Winding up of trusts		
<p>In January 2018, a paper was presented to the Council's Finance and Resources Committee seeking approval for the formal winding up of the City of Edinburgh Council Charitable Funds (Boyd Anderson) and the transfer of the remaining assets to the Lagganlia Outdoor Learning Centre. Consent to wind up this charitable trust was received from the OSCR in December 2017.</p>	<p>We reviewed the disclosures and accounting transactions in the financial statements to ensure compliance with the Charities SORP (FRS 102) and applicable accounting standards.</p>	<p>The Council has reviewed the project post covid closure and found the costs of the original project to be prohibitive. The Council is exploring alternative options which meet the same business outcomes but are more effective and time efficient. The monies from the City of Edinburgh Council Charitable Funds (Boyd Anderson) will still be used for this project.</p>
<p>Due to the temporary closure of the centre as a result of the COVID-19 pandemic, construction works have not yet been completed and therefore these monies have not yet been transferred. OSCR has granted consent to wind up this Trust and this will be progressed once construction works have been completed.</p>		<p>A new business case is required. The intention is that the project will commence this financial year (2022/23) with a view to completion in Summer 2023.</p>
<p>In 2020/21, separate financial statements were prepared for this Trust. The Trustee prepared the financial statements for the City of Edinburgh Council Charitable Funds (Boyd Anderson) adopting a break-up basis of accounting as they considered that it was not a going concern. Our opinion was not modified in respect of this matter.</p>		<p>Note 1 in the financial statements explains that a break-up basis of accounting has been applied as the trustees consider that it is not a going concern.</p>
<p>There is a risk that this Fund is not accounted for and disclosed correctly in the financial statements.</p>		<p>We have disclosed this matter in our independent auditor's report. Our opinion is not modified in respect of this matter.</p>

3. Other risk factors / observations from the audit

Impact of COVID-19 on the financial statements

COVID-19 continued to present unprecedented challenges to the operation, financial management and governance of organisations in 2021/22. In response to the pandemic, we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion.

We reviewed the Trusts' consideration of the impact of COVID-19. In particular we reviewed whether year end balances and disclosures reflect the position at 31 March and any post balance sheet events. We also considered both management's (City of Edinburgh Council) and the Trustee's consideration of the individual trusts ability to continue as a going concern.

From our review, and understanding of the charitable trusts' operations, we are satisfied that the impact of COVID-19 does not present a material uncertainty to the going concern basis of preparation.

Local Authority Accounts (Scotland) Regulations 2014 – notice of public right to inspect and object to accounts

As part of our audit, we reviewed the charitable trusts' compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulation 9: the notice of public right to inspect and object to accounts.

Overall we concluded that appropriate arrangements are in place to comply with the Regulations. No submissions were received in 2021/22.

4. Estimates and judgements

During the audit planning process we identified the following areas which require significant estimation or judgement. Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between **Prudent**, **Balanced** and **Optimistic**.

Area	Assessment	Comment
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As noted in section 2 of this report:

Asset valuations

Balanced

Heritage Assets are stated in the financial statements at a revalued amount where this is available. Where this information is not available, historic cost has been used. This is the case for the Lauriston Castle buildings and grounds, Nelson Halls and the Royal Scots Monument. The collections of paintings, ceramics, textiles, silverware, clocks and books are based on values for insurance purposes.

In 2021/22 there were no asset valuation exercises carried out over the charitable trusts' heritage assets. A review of the asset values in 2021/22 was carried out by management with no material changes identified.

The accounting policy and judgements taken by management in the preparation of the financial statements are consistent with the requirements of the Charities SORP (FRS 102) in respect of heritage assets.

As noted in section 2 of this report:

Recognition of Council support on the running and maintenance of the Trusts

Balanced

City of Edinburgh Council management has exercised judgement in applying the charitable trust fund's accounting policies. Judgements and estimates have been applied in respect of the Council's support in kind in on the running and maintenance of Lauriston Castle, Nelson Halls and The Royal Scots Monument.

We considered the judgements and estimates applied and consider these to be appropriate. We did not identify any areas of bias in the judgements made by management and the estimation techniques applied were consistent with the prior year.

5. Going Concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Management's assessment of going concern

The financial statements for the five trusts, excluding The City of Edinburgh Council Charitable Funds (Boyd Anderson), are prepared on the going concern basis. The City of Edinburgh Council support the ongoing operation and maintenance of the trusts; as is evidenced through the support in kind to Lauriston Castle Trust, Nelson Halls Trust and The Royal Scots (The Royal Regiment) Monument Trust Fund.

In respect of the City of Edinburgh Council Charitable Trust Funds (Boyd Anderson); these have been prepared using a break-up basis of accounting as they are not considered to be a going concern (refer to section 2 of this report 'winding up of Trusts').

Trustee assessment of going concern

The trustees are of the opinion the five trusts, excluding The City of Edinburgh Council Charitable Funds (Boyd Anderson), are a going concern from reviewing activities undertaken, based on expected expenditure and commitments in the coming year.

Audit work performed

ISA 570 (revised) specifies mandatory procedures that we are required to carry out on going concern.

In order to gain assurance on these matters our work has included:

- enquiring of Council management and the charitable trusts' solicitors concerning litigation, claims and assessments;
- review of financial forecasts;
- consideration of post balance sheet events; and
- consideration of the impact COVID-19 has had on charitable trusts'.

Disclosures

We have reviewed the disclosures set out in the notes to the financial statements on going concern and consider these to be appropriate.

Conclusion

Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that five of the six charitable trusts will continue to operate for at least 12 months from the signing date.

In respect of the City of Edinburgh Council Charitable Funds (Boyd Anderson), we draw attention to note 1 in the financial statements, which describes the basis of preparation. The Trustee has prepared the financial statements for this trust using a break-up basis of accounting as they consider that it is not a going concern. Our audit report refers to the material uncertainty although our opinion is not modified in respect of this matter.

6. Audit communication

Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

Our initial assessment of materiality for the year ended 31 March 2022 was set out in our External Audit Annual Plan and is detailed in the table below ("Planning materiality"). On receipt of the unaudited financial statements, we reassessed materiality and set it at the levels outlined below. We consider that our updated assessment has remained appropriate throughout our audit.

	Planning materiality (£)	Final overall materiality for the financial statements (£)	Performance materiality (£)	Trivial threshold (£)	Explanation
Lauriston Castle	153,220	153,220	114,915	7,661	<p>Overall materiality: our assessment is based on approximately 2% of gross assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of each charitable trust.</p> <p>Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.</p> <p>Trivial threshold: 5% of overall materiality for the financial statements.</p>
Jean F. Watson	132,920	132,920	99,690	6,646	
Edinburgh Education Trust	23,940	25,760	19,320	1,288	
Nelson Halls	5,540	5,880	4,410	294	
City of Edinburgh Council Charitable Funds (Boyd Anderson)	2,000	2,000	1,500	100	
Royal Scots (The Royal Regiment) Monument Trust Fund	720	720	540	36	

6. Audit communication (continued)

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the prior year.

Presentation and disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the charitable trusts.

Overall we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Written representations

We will present final letter of representations to the Finance and Resources Committee to sign at the same time as the financial statements are approved.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested third party confirmations have been received.

Non-compliance with laws and regulations

Trustees are responsible for preparing the financial statements in accordance with the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities and Trustee Investment (Scotland) Act 2005, and relevant accounting standards.

The City of Edinburgh Council Charitable Trusts financial statements are prepared using the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). This would be the case where charities have common trustees. The City of Edinburgh Council acts as sole Trustee for these charitable trusts.

As The City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared on a break-up basis of accounting, separate financial statements have been prepared.

We are not aware of any significant incidences of non-compliance.

7. Internal controls

Control environment

The purpose of an audit is to express an opinion on the financial statements. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include them in this report. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Area	Assessment	Comment
Control and process environment	Satisfactory	We consider the control environment to be satisfactory. No material weaknesses or significant deficiencies were noted in the control and process environment.
Quality of supporting schedules	Satisfactory	The supporting schedules received during the course of the fieldwork were sufficient for our audit purposes.
Responses to audit queries	Satisfactory	Management's responses to our audit queries were appropriate and received on a timely basis.

7. Internal controls (continued)

Follow up of prior year/s recommendations

As part of our audit process, we have specifically followed up on the recommendations either raised in last year's report or carried forward from prior reports. Our findings are noted below.

The recommendations are categorised into three risk ratings as shown in the key.

Key: 1. Significant deficiency 2. Other deficiency 3. Other observations

Area	Observation	Implication	Recommendation	2020/21 management response
Regular financial reporting 3	The Finance and Resources Committee does not receive regular financial information on income generated / expenditure incurred on the Charitable Trusts. As the Trustee of the trusts the Council should receive regular financial information to ensure that income generated is applied in accordance with the charitable objectives of the Trusts.	There is a risk that income is not spent in accordance with the charitable objectives of the Trusts.	Regular financial information should be presented to enable the Council to fulfil its role as Trustee to these Trusts.	Six-monthly financial updates to elected members will be introduced, aligned to the revised governance arrangements expected to be approved early in the new year. Responsible officer: Principal Accountant (Corporate Accounts) Completion date: June 2022
Current status	Update from management			
Ongoing	While activity during the year was somewhat limited and the revised governance arrangements are still to be implemented, an update was provided in the Business Bulletin of the Finance and Resources Committee on 16 June 2022. This will be supplemented by commentary included in the Annual Report in November.			

8. Internal controls (continued)

Follow up of prior year/s recommendations (continued)

Key: **1. Significant deficiency** **2. Other deficiency** **3. Other observations**

Area	Observation	Implication	Recommendation	2020/21 management response
Financial forecasts 3	Forecasting is due to be carried out by City of Edinburgh Council finance staff in 2021/22 to ensure those charged with governance are aware of funds available in 2022/23 which will enable longer term planning.	There is a risk that those charged with governance do not have sufficient / up to date information to base decisions on over the longer term financial position of the trusts.	Once prepared; the financial forecasts should be presented to enable the Council to take decisions over the longer term financial position of the Trusts.	<p>Members of the Committee on the Jean F Watson Bequest already receive regular financial updates to inform decisions on the allocation of available funds. While four of the other five trusts are either in receipt of a net funding contribution from the Council or are being wound up, opportunities to improve financial planning will nonetheless be considered and reported as part of the updates mentioned in the recommendation above.</p> <p>Responsible officer: Principal Accountant (Corporate Accounts) Completion date: June 2022</p>

Current status	Update from management
Ongoing	An update was provided in the Business Bulletin of the Finance and Resources Committee on 16 June 2022 including forecasts for 22/23. This will be supplemented by commentary included in the Annual Report in November.

8. Internal controls (continued)

Follow up of prior year/s recommendations (continued)

Key: **1. Significant deficiency** **2. Other deficiency** **3. Other observations**

Area	Observation	Implication	Recommendation	2020/21 management response
Declaration of interests	We noted the following during our 2018/19 audit:	Openness and transparency – there is a risk over the openness of disclosures made by the City of Edinburgh Council as Trustee of the charitable trusts. These records inform related party disclosures and potential conflicts of interests when considering the business of both the Council and the Trusts.	We recommend that any councillors who may in future be appointed to act as Trustees to the City of Edinburgh Council charitable trusts review and update their registers of interest, if required, to reflect their role as Trustee on these Trusts.	If revised governance arrangements to be presented to Council early in the new year are approved and implemented, any individual councillor trustees will be asked to ensure that their respective registers of interest are updated.
3	<ul style="list-style-type: none"> The Council's website details those councillors who are members of the Finance and Resources Committee and the Jean F. Watson Committee. The website does not explicitly note that where councillors are members of the Finance and Resources Committee they are trustees of the City of Edinburgh Council Charitable Trusts. Individual councillor registers of interests do not make reference to the City of Edinburgh Council Charitable Trusts. 			<p>Responsible officer: Head of Democracy, Governance and Resilience</p> <p>Completion date: On-going</p>

Current status	Update from management
Ongoing	Consideration of the report on these revised arrangements was delayed until after the Local Government Election in May 2022 but will be presented to the Finance and Resources Committee in due course. Relevant registers of interests will be updated once this process has concluded.

9. Independence and ethics

Independence and Ethics

In accordance with our profession's ethical guidance and further to our External Audit Plan confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Audit and non-audit services

The following services were provided in the year to 31 March 2022 and to 31 March 2021.

Audit services	Fees 2022 £	Fees 2021 £
Audit of the financial statements	9,000	8,240

No non-audit services were provided in either year.

AZETS

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

Legal and Administrative Information

Trustee

The City of Edinburgh Council acts as sole Trustee for the charities in this report. The delegated responsibility for charitable trusts was transferred from the Pensions and Trusts Committee to the Finance and Budget Committee as part of the review of governance arrangements under the Committee Terms of Reference and Delegated Functions approved by Council on 20 September 2012 (Section 6.6). The Finance and Budget Committee has since been renamed the **Finance and Resources Committee** and now has delegated authority from Council to act in the role of Trustee of its charities. The individual members of the Committee are listed on page 6 of the Trustee's Report, however, the individual members are not Trustees of the charitable trusts.

Reference and Administrative Details

At the year end the Council acted as sole Trustee for a total of six Trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). A list of five of the charities can be found on page 3 of this report and in the accounts. Separate accounts has been prepared for City of Edinburgh Council Charitable Funds using a break-up basis of accounting. OSCR has granted consent to wind up the Trust.

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

Registered Office

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

Auditor

Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2AD

Investment Managers

CCLA Investment Management Ltd
Senator House
85 Queen Victoria Street
London
EC4V 4ET

Legal Advisors

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

M&G Securities Ltd
10 Fenchurch Avenue
London
EC3M 5AG

Trustee's Annual Report 2021/22

The Trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2022. The Annual Accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102), commonly referred to as the Charities SORP (FRS 102). One set of accounts for connected charities has been prepared under the provisions of these regulations.

Structure, Governance and Management

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

The Trustee section on the previous page describes the Committee of the Council which is involved with administration. All committee members are elected Councillors. Members of the Finance and Resources Committee have been provided with copies of the OSCAR guidance which explains the role and responsibilities of charity Trustee. Risk management is covered as part of the Council's general risk management procedures. The Council is currently in the process of conducting a review of its administration of Trusts.

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

Responsibilities of the Trustee

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

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

1. Ensuring that there are appropriate systems of controls; financial and otherwise.
2. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006 and the Charities SORP (FRS 102).
3. Selecting suitable accounting policies and applying them consistently.
4. Making judgements and estimates that are reasonable and prudent.
5. Safeguarding the assets of the charities.
6. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
7. Providing reasonable assurance that:
 - i) the charities are operating efficiently and effectively;
 - ii) the charitable assets are safeguarded against unauthorised use or disposition;
 - iii) proper records are maintained and financial information used by the charities is reliable;
 - iv) the charities comply with relevant laws and regulations.

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

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

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included in the Council's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Exemptions From Disclosure and Funds held as Custodian Trustee on Behalf of Others

None.

Trustee's Annual Report 2021/22

Objectives and Activities

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

Official Name (<i>Name Used in Accounts</i>)	Scottish Charity Registration Number	Purpose	Market Value at 31/3/22 £'000
Miss Jean Fletcher Watson Bequest (<i>Jean F. Watson</i>)	SC018971	The purchase of works of art by artists who have connections with the city	6,754
The Edinburgh Education Trust (<i>Edinburgh Education Trust</i>)	SC042754	To fund activities to support Looked after Children and school prizes	1,282
Nelson Halls Trust (<i>Nelson Halls</i>)	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	287
Lauriston Castle Trust (<i>Lauriston Castle</i>)	SC020737	To make the artefacts and buildings available to be viewed by the public	7,676
Royal Scots (The Royal Regiment) Monument Trust Fund (<i>The Royal Scots Trust</i>)	SC018945	Maintenance of the Royal Scots Monument	35
Total			16,034

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

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

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

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

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

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

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

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

Trustee's Annual Report 2021/22

Achievements and Performance

Financial Investments Performance

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

Charibond Charities Fixed Interest Fund

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

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

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

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

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

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

COIF Charities Investment Fund

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

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

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

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

	1 year	3 years p.a.	5 years p.a.
Fund	11.6%	11.5%	10.3%
Peer group	11.7%	8.7%	7.3%

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

Market comparator: For the Investment Fund's total return objective (CPI+5% p.a. on average) it is only possible to assess progress over a long time horizon such as the course of a business cycle, which may be ten years or more. The market comparator, which is not a target or a constraining benchmark, is intended to help investors understand the effects of the Fund's active management in different market circumstances, and to see how the Fund's returns vary in the shorter term from those that might be experienced by a more passive investor. The current market comparator, in summary, is 75% overseas equities, 15% UK government bonds (gilts), 5% UK commercial property & 5% LIBID.

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

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

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

Trustee's Annual Report 2021/22

Financial Review

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

The Statement of Financial Activities shows the total income to be £428,000 in 2021/22 (2020/21 £366,000). This increase in income compared to the previous year is primarily due to increased Grant receipts for the purchase of arts and an increased need for support funding from the City of Edinburgh Council compared to the prior year. An analysis of income and art purchases is available in Notes 2 and 5.

The expenditure in the year is higher than last year at £364,000 compared to £318,000. An analysis of expenditure is detailed in Notes 3 and 4 with the values against Nelson Halls, Lauriston Castle and The Royal Scots Trusts being operating and ground maintenance costs.

The Balance Sheet Statement shows the fixed asset investments have increased to £2.667m from £2.505m. This increase is as a result of a net gain in the market valuation of the investments at the end of the first quarter of 2022. Movements on the valuation of the investments are further analysed in Notes 7, 16 and 17.

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

The £21,000 increase in cash is further analysed in the Cash Flow Statement (£32,000 increase in 2020/21). The detail of the breakdown of the £22,000 owed by the Trusts as at 31 March 2022 is included within Note 17 of the Accounts with the year on year comparative included in Note 10.

Reserves Policy

The Charitable Trusts should follow the prevailing general principle that the "Capital" of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year. If the Trustee requires to use "Capital" balances, Finance and Resources Committee approval would be required on a case by case basis. This policy was approved at the **17 March 2016 Finance and Resources Committee**.

The annual income for the Edinburgh Education Trust averages around £30,000. This income is used for the advancement of education, academic and physical, formal and informal, to include the giving of bursaries and prizes as well as assistance for residents who find themselves in a state of financial hardship within the City of Edinburgh District or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trust's bank account. The Trust has total funds of £1,282,000, consisting of £1,139,000 in Investments, £142,000 in Cash, £7,000 of debtors less Creditors of £6,000.

The annual income for Jean F. Watson has averaged around £45,000 in the last two years. This income can be used to purchase additional artwork, preserve existing artwork or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trust's bank account. The Trust has total funds of £6,754,000, consisting of £1,179,000 in Investments, £5,420,000 in Fixed Assets, £154,000 in Cash, £7,000 of debtors less Creditors of £6,000.

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

The annual income for Lauriston Castle averages around £260,000, including the funding from the City of Edinburgh Council to support operating cost. This income is mainly used to fund the operating and maintenance costs of the Castle. The Trust has total funds of £7,676,000, consisting of £7,625,000 in Heritage Assets, £52,000 in Investments, £1,000 in Cash less Creditors of £2,000. Cash will be available to fund liabilities as they fall due.

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

Trustee's Annual Report 2021/22

Financial Review - continued

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

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

Plans for Future Period

The strategy to radically restructure the Charitable Trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. Future plans include the full disbursement of the remaining funds of the Boyd Anderson Trust which has been approved by Committee, leaving the five Trusts covered in this report remaining. Separate accounts has been prepared for Boyd Anderson Trust using a break-up basis of accounting.

The Trusts continue to make improvements to the processes regarding the transfer of funds to ensure individuals are aware of the money available to them and that this is transferred promptly. Forecasting will be carried out by finance staff in 2022/23 to ensure that they are also aware of the likely money available in 2023/24 to enable longer-term planning.

Signed on behalf of the Trustee of the charities:

Councillor Mandy Watt

Convener of the Finance and Resources Committee

Date:

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

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

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

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

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

	Note	2021/22			2020/21		
		Unrestricted funds	Endowment funds	Total funds	Unrestricted funds Restated	Endowment funds	Total funds
		£'000	£'000	£'000	£'000	£'000	£'000
Income and Endowments from:							
<i>Charitable activities</i>	2	17	-	17	9	-	9
<i>Investments</i>	2	71	-	71	71	-	71
<i>Donations and Legacies</i>	2	300	-	300	236	-	236
<i>Other trading activities</i>	2	40	-	40	50	-	50
Total		<u>428</u>	<u>-</u>	<u>428</u>	<u>366</u>	<u>-</u>	<u>366</u>
Expenditure on:							
<i>Charitable activities</i>	3	(351)	-	(351)	(306)	-	(306)
<i>Governance costs</i>	3, 4	(13)	-	(13)	(12)	-	(12)
Total		<u>(364)</u>	<u>-</u>	<u>(364)</u>	<u>(318)</u>	<u>-</u>	<u>(318)</u>
<i>Net gains / (losses) on investments</i>	16	-	162	162	-	361	361
Total		<u>-</u>	<u>162</u>	<u>162</u>	<u>-</u>	<u>361</u>	<u>361</u>
Net income / (expenditure)		<u>64</u>	<u>162</u>	<u>226</u>	<u>48</u>	<u>361</u>	<u>409</u>
Transfers between funds		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other recognised gains/(losses):							
<i>Gains on revaluation of fixed assets</i>	16	-	-	-	-	624	624
Total		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624</u>	<u>624</u>
Net movement in funds: Increase/ (Decrease)		<u>64</u>	<u>162</u>	<u>226</u>	<u>48</u>	<u>986</u>	<u>1,034</u>
Reconciliation of funds							
<i>Total funds brought forward</i>		<u>5,658</u>	<u>10,150</u>	<u>15,808</u>	<u>5,610</u>	<u>9,164</u>	<u>14,774</u>
Total funds carried forward	17	<u>5,723</u>	<u>10,311</u>	<u>16,034</u>	<u>5,658</u>	<u>10,150</u>	<u>15,808</u>

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

	Note	2021/22			2020/21		
		Unrestricted funds £'000	Endowment funds £'000	Total funds £'000	Unrestricted funds £'000	Endowment funds £'000	Total funds £'000
Fixed Assets:							
<i>Jean F. Watson Collection</i>	5	5,420	-	5,420	5,383	-	5,383
<i>Other Heritage Assets</i>	6	-	7,645	7,645	-	7,645	7,645
<i>Investments</i>	7	-	2,667	2,667	-	2,505	2,505
Total fixed assets		5,420	10,312	15,732	5,383	10,150	15,533
Current Assets:							
<i>Cash at Bank</i>	8	308	-	308	287	-	287
<i>Debtors</i>	9	16	-	16	15	-	15
Total current assets		324	-	324	301	-	301
Liabilities:							
<i>Creditors due within one year</i>	10	(22)	-	(22)	(26)	-	(26)
Total Liabilities		(22)	-	(22)	(26)	-	(26)
Net Current Assets		302	-	302	275	-	275
Total Net Assets		5,722	10,312	16,034	5,658	10,150	15,808
The funds of the charity:							
<i>Unrestricted Funds</i>	17	1,345	-	1,345	1,281	-	1,281
<i>Endowment Funds</i>	17	-	2,687	2,687	-	2,525	2,525
<i>Revaluation Reserve</i>	17	4,377	7,625	12,002	4,377	7,625	12,002
Total Charity Funds		5,722	10,312	16,034	5,658	10,150	15,808

The audited accounts were issued on 10 November 2022.

Signed on behalf of the charity Trustee:

Councillor Mandy Watt
Convener of the Finance and Resources Committee

Date:

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

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

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

1 Accounting policies

a) Basis of preparation

The 2021/22 financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - Charities SORP (FRS 102) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

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

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

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

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The critical judgements and estimates for the trusts are included in note (m).

b) Going Concern Policy

The financial statements for the remaining five Trusts, after the closure of Boyd Anderson, are prepared on the going concern basis. The Trustee is of the opinion those trusts are a going concern from reviewing activities undertaken, based on expected expenditure commitments in the 12 months following the signing of these financial statements.

c) Fund accounting

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

All of the charities have an endowment fund consisting of invested capital and any Heritage Assets. Endowment funds are held on trust to be retained for the benefit of the charity as a capital fund. The income arising from the investments is available for the purposes of each charity and is added to the relevant unrestricted fund. In most cases the Trustee has discretion to expend endowment funds should the need arise, subject to Finance and Resources Committee approval.

d) Investment income

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

e) Grant and other income

Revenue grants, including those from government, are recognised in the Statement of Financial Activities (SoFA) in the period in which the charitable trust is entitled to receipt, it is probable that the income will be received and the amount can be measured reliably. Such income is deferred when the charitable trust has to fulfil conditions before becoming entitled to it. Sums generated by the direct activities of the Trusts are included as other trading activities income, subject to the conditions above. In-kind support from the Council, equal to the net operating cost of the Trusts during the year after consideration of this income and income from investments, is included within income from donations and legacies.

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

1 Accounting policies - continued

f) Expenditure

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

g) Heritage assets and depreciation

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

Heritage Assets are stated in the accounts at a revalued amount where this is available. Where this is not available, historic cost has been used. This is the case for the Lauriston Castle buildings and grounds, Nelson Halls and the Royal Scot Monument.

h) Investments

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

i) Reserves policy

The endowment fund is maintained for the charity as a capital fund. The amount of income generated by investments is available for expenditure on charitable purposes. The Finance and Resources Committee agreed the current Reserves Policy on 17 March 2016.

j) Creditors

Creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

k) Cash and cash equivalents

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

l) Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the charitable trust becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value.

Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of Charities SORP (FRS 102). At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

m) Critical judgements and estimates

The preparation of financial statements in compliance with Charities SORP (FRS 102) requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the charitable trust funds' accounting policies.

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

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

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

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

2 Analysis of Income	2021/22	2020/21
	£'000	£'000
<i>Dividend income - received</i>	55	56
<i>Dividend income - accrued</i>	16	15
<i>Jean F. Watson grant received for purchase of art</i>	17	9
<i>Donations and Legacies</i>	300	236
<i>Other trading activities</i>	40	50
Total Income	428	366

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

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

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

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

No Trustee received any remuneration or expenses during the year ending 31 March 2022. There are no employees of the City of Edinburgh Council Charitable Trusts.

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

5 Jean F. Watson Collection	2021/22	2020/21
	£'000	£'000
<i>Balance brought forward at 1 April</i>	5,383	5,374
<i>Purchases during the year</i>	37	18
<i>Other Adjustment</i>	-	(7)
<i>Impairment</i>	-	(2)
Balance carried forward at 31 March	<u>5,420</u>	<u>5,383</u>

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

There have been various purchases per the list below and no disposals.

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

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

These are classified as heritage assets.

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

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

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

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

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

7 Analysis of Investments	Realised	Purchases	Net Gain/		
	Investments	at cost	(Loss) on	At 31/3/21	At 31/3/22
	£'000	£'000	revaluation	£'000	£'000
<i>Edinburgh Education Trust</i>	1,068	-	71	1,139	1,139
<i>Jean F. Watson</i>	1,108	-	71	1,179	1,179
<i>Lauriston Castle</i>	49	-	3	52	52
<i>Nelson Halls</i>	250	-	15	265	265
<i>The Royal Scots Trust</i>	30	-	2	32	32
Total Investments	<u>2,505</u>	<u>-</u>	<u>162</u>	<u>2,667</u>	<u>2,667</u>

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

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

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

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

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

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

11 Analysis of Financial Assets and Liabilities	2021/22	2020/21
	£'000	£'000
<i>Financial assets measured at amortised cost</i>	324	302
<i>Financial liabilities measured at amortised cost</i>	(22)	(26)
<i>Financial assets measured at market value</i>	2,667	2,505
Total Financial Assets and Liabilities	2,969	2,781

12 Related Party Transactions

During the year the City of Edinburgh Council made payments on behalf of the Charitable Trusts. At the end of the year £14,738 was owed to the Council by the Trusts (2020-21 £14,342).

13 Prior Year Adjustment

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

14 Post Balance Sheet Event

There have been no events since 31 March 2022, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

15 Audit Fee

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

The City of Edinburgh Council Charitable Trusts

Notes to the Accounts

For the year ended 31 March 2022

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

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Lauriston Castle Trust Revaluation £'000	Funds carried forward £'000
<i>Edinburgh Education Trust</i>	SC042754	1,190	30	(9)	71	-	1,282
<i>Jean F. Watson</i>	SC018971	6,641	48	(6)	71	-	6,754
<i>Lauriston Castle</i>	SC020737	7,673	280	(280)	3	-	7,676
<i>Nelson Halls</i>	SC018946	271	48	(47)	15	-	287
<i>The Royal Scots Trust</i>	SC018945	33	22	(22)	2	-	35
Total Funds		15,808	428	(364)	162	-	16,034

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

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Lauriston Castle Trust Revaluation £'000	Funds carried forward £'000
<i>Edinburgh Education Trust</i>	SC042754	1,011	30	(8)	156	-	1,190
<i>Jean F. Watson</i>	SC018971	6,451	41	(9)	158	-	6,641
<i>Lauriston Castle</i>	SC020737	7,042	239	(239)	7	624	7,673
<i>Nelson Halls</i>	SC018946	235	36	(36)	36	-	271
<i>The Royal Scots Trust</i>	SC018945	35	20	(26)	4	-	33
Total Funds		14,774	367	(318)	361	624	15,808

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

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

Charity Name	SC Number	Revaluation Reserve										2021/22 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Heritage Assets incl. Lauriston Castle	Other Heritage Assets	Investments	Investments Market Value	Adjustment	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<i>Edinburgh Education Trust</i>	SC042754	142	7	(6)	-	-	-	-	844	295		1,282
<i>Jean F. Watson</i>	SC018971	154	7	(6)	1,043	4,377	-	-	881	298		6,754
<i>Lauriston Castle</i>	SC020737	1	-	(2)	-	-	7,625	-	39	13		7,676
<i>Nelson Halls</i>	SC018946	8	2	(7)	-	-	-	19	198	67		287
<i>The Royal Scots Trust</i>	SC018945	3	-	(1)	-	-	-	1	24	8		35
Total Funds		308	16	(22)	1,043	4,377	7,625	20	1,986	681		16,034

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

Charity Name	SC Number	Revaluation Reserve										2020/21 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Heritage Assets incl. Lauriston Castle	Other Heritage Assets	Investments	Investments Market Value	Adjustment	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<i>Edinburgh Education Trust</i>	SC042754	121	7	(5)	-	-	-	-	844	224		1,190
<i>Jean F. Watson</i>	SC018971	154	7	(11)	1,006	4,377	-	-	881	227		6,641
<i>Lauriston Castle</i>	SC020737	1	-	(2)	-	-	7,625	-	39	10		7,673
<i>Nelson Halls</i>	SC018946	8	1	(7)	-	-	-	19	198	51		271
<i>The Royal Scots Trust</i>	SC018945	3	-	(1)	-	-	-	1	24	6		33
Total Funds		287	15	(26)	1,006	4,377	7,625	20	1,986	518		15,808

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

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the statement of accounts of The City of Edinburgh Council Charitable Trusts for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2022 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charities in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the Trustee for the financial statements

As explained more fully in the Responsibilities of the Trustee, the Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee intends to discontinue the charities' operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Reporting on other requirements

Other information

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Report on other requirements

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

Nick Bennett, for and on behalf of Azets Audit Services

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date.....

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

Charity Number: SC025067

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

Legal and Administrative Information

Trustee

The City of Edinburgh Council acts as sole Trustee for the City of Edinburgh Council Charitable Funds. The delegated responsibility for charitable trusts was transferred from the Pensions and Trusts Committee to the Finance and Budget Committee as part of the review of governance arrangements under the Committee Terms of Reference and Delegated Functions approved by Council on 20 September 2012 (Section 6.6). The Finance and Budget Committee has since been renamed the **Finance and Resources Committee** and now has delegated authority from Council to act in the role of Trustee of its charities. The individual members of the Committee are listed on page 3 of the Trustee's Report, however, the individual members are not Trustees of the charitable Trust.

Reference and Administrative Details

At the year end the Council acted as sole Trustee for a total of six Trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). City of Edinburgh Council Charitable Funds is one of these Trusts.

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

Registered Office

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

Auditor

Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2AD

Legal Advisors

The City of Edinburgh Council
City Chambers
High Street
Edinburgh

Trustee's Annual Report 2021/22

The Trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Funds for the year ending 31 March 2022. The Annual Accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102), commonly referred to as the Charities SORP (FRS 102).

Structure, Governance and Management

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

Responsibilities of the Trustee

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

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

1. Ensuring that there are appropriate systems of controls; financial and otherwise.
2. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006 and the Charities SORP (FRS 102).
3. Selecting suitable accounting policies and applying them consistently.
4. Making judgements and estimates that are reasonable and prudent.
5. Safeguarding the assets of the charity.
6. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
7. Providing reasonable assurance that:
 - i) the charity is operating efficiently and effectively;
 - ii) the charitable assets are safeguarded against unauthorised use or disposition;
 - iii) proper records are maintained and financial information used by the charity is reliable;
 - iv) the charity complies with relevant laws and regulations.

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

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

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included in the Council's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Exemptions From Disclosure and Funds held as Custodian Trustee on Behalf of Others

None.

Trustee's Annual Report 2021/22

Objectives and Activities

The purpose of the City of Edinburgh Council Charitable Funds is to provide outdoor education and skiing opportunities.

At the **14 January 2016 Finance and Resources Committee**, it was agreed that £66,000 of the City of Edinburgh Council Charitable Funds would be used to build a modular log cabin type classroom and storage space at Lagganlia. Further to that, a proposal to use the remaining funds for the same purpose was approved by Committee on 23 January 2018. A preferred contractor was appointed following a tender process, however, the work was delayed due to the impact of Covid-19 restrictions. The project is currently being reviewed post-covid and a revised proposal will have to be put forward for approval. It is estimated that the work will be completed by the summer of 2023. The funds will be transferred when the construction work at Lagganlia is completed. OSCR has granted consent to wind up the Trust and this will be progressed once the log cabin and storage space has been completed.

For this reason, the financial statements for the City of Edinburgh Council Charitable Funds have been prepared using a break-up basis of accounting as it is considered that it is not a going concern.

Financial Review

The financial statements present the financial position of the Trust for the year ended 31 March 2022. This section describes briefly the key points of the statement. All of the unrestricted funds of the charity are general and not designated.

The expenditure in the year is £4,009 (2020/21 £4,074). An analysis of expenditure is detailed in Note 3.

The £4,074 decrease in cash is further analysed in the Cash Flow Statement (£5,687 decrease in 2020/21).

Reserves Policy

No reserves policy has been created for the City of Edinburgh Council Charitable Funds as the existing funds have been agreed to be disbursed as per the reports to Finance and Resources Committee on 14 January 2016 and 23 January 2018.

Plans for Future Period

Future plans include the full disbursement of the remaining funds of the City of Edinburgh Council Charitable Funds, which has been approved by the Finance and Resources Committee. It is the intention to wind up the Trust once all funds are distributed.

Signed on behalf of the Trustee of the charities:

Councillor Mandy Watt

Convener of the Finance and Resources Committee

Date:

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

Councillor Alasdair Rankin

Councillor Chas Booth

Councillor Graeme Bruce

Councillor George Gordon

Councillor Joan Griffiths

Councillor Graham Hutchison

Councillor Andrew Johnston

Councillor Rob Munn (Convener up until 05.05.22)

Councillor Neil Ross

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

	Note	2021/22			2020/21		
		Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
		£	£	£	£	£	£
Income and Endowments from:							
<i>Interest Received</i>	2	40	-	40	-	-	-
Total		<u>40</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditure on:							
<i>Governance costs</i>	3	(4,009)	-	(4,009)	(4,074)	-	(4,074)
Total		<u>(4,009)</u>	<u>-</u>	<u>(4,009)</u>	<u>(4,074)</u>	<u>-</u>	<u>(4,074)</u>
Net income / (expenditure)		<u>(3,969)</u>	<u>-</u>	<u>(3,969)</u>	<u>(4,074)</u>	<u>-</u>	<u>(4,074)</u>
Transfers between funds		-	-	-	-	-	-
Net movement in funds:							
Increase/ (Decrease)		<u>(3,969)</u>	<u>-</u>	<u>(3,969)</u>	<u>(4,074)</u>	<u>-</u>	<u>(4,074)</u>
Reconciliation of funds							
<i>Total funds brought forward</i>		<u>96,228</u>	<u>-</u>	<u>96,228</u>	<u>100,302</u>	<u>-</u>	<u>100,302</u>
Total funds carried forward	11	<u><u>92,259</u></u>	<u><u>-</u></u>	<u><u>92,259</u></u>	<u><u>96,228</u></u>	<u><u>-</u></u>	<u><u>96,228</u></u>

The City of Edinburgh Council Charitable Funds
Balance Sheet
For the year ended 31 March 2022

	Note	Unrestricted funds	2021/22 Endowment funds	Total funds	Unrestricted funds	2020/21 Endowment funds	Total funds
		£	£	£	£	£	£
Current Assets:							
<i>Cash at Bank</i>	4	96,228	-	96,228	100,302	-	100,302
<i>Total current assets</i>		<u>96,228</u>	<u>-</u>	<u>96,228</u>	<u>100,302</u>	<u>-</u>	<u>100,302</u>
Liabilities:							
<i>Creditors due within one year</i>	5	(3,969)	-	(3,969)	(4,074)	-	(4,074)
<i>Total Liabilities</i>		<u>(3,969)</u>	<u>-</u>	<u>(3,969)</u>	<u>(4,074)</u>	<u>-</u>	<u>(4,074)</u>
Net Current Assets		92,259	-	92,259	96,228	-	96,228
Total Net Assets		<u>92,259</u>	<u>-</u>	<u>92,259</u>	<u>96,228</u>	<u>-</u>	<u>96,228</u>
The funds of the charity:							
<i>Unrestricted Funds</i>	11	92,259	-	92,259	96,228	-	96,228
Total Charity Funds		<u>92,259</u>	<u>-</u>	<u>92,259</u>	<u>96,228</u>	<u>-</u>	<u>96,228</u>

The audited accounts were issued on 10 November 2022.

Signed on behalf of the charity Trustee:

Councillor Mandy Watt
Convener of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Funds
Cash Flow Statement
For the year ended 31 March 2022

	31 March 2022		31 March 2021	
	£	£	£	
Operating Activities				
<i>Cash paid to the Council</i>	4,074			5,687
Cash outflows generated from operating activities		4,074		5,687
Net cash (inflows) / outflows from operating activities		4,074		5,687
Net cash flows from investing activities		-		-
Net cash flows from financing activities		-		-
Net (increase) / decrease in cash and cash equivalents		4,074		5,687
<i>Cash and cash equivalents at 1 April (Note 4)</i>	100,302			105,989
<i>Cash and cash equivalents at 31 March (Note 4)</i>	96,228			100,302
Net (increase) / decrease in cash and cash equivalents		4,074		5,687
Analysis of changes in Net Debt				
	1 April 2021	Net Cash Flows	Non-Cash Changes	31 March 2022
	£	£	£	£
Cash at Bank	100,302	(4,074)	-	96,228
Total Funds	100,302	(4,074)	-	96,228

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

1 Accounting policies

a) Basis of preparation

The 2021/22 financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - Charities SORP (FRS 102) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

City of Edinburgh Council Charitable Funds meets the definition of a public benefit entity under Charities SORP (FRS 102). Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The critical judgements and estimates for the trusts are included in note (j).

b) Going Concern Policy

The financial statements for the City of Edinburgh Council Charitable Funds have been prepared using a break-up basis of accounting as it is considered that it is not a going concern. A proposal to use the remaining funds to build a modular log cabin type classroom and storage space at Lagganlia was approved by **Finance and Resources Committee on 23 January 2018**.

c) Fund accounting

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

Endowment funds are held on Trust to be retained for the benefit of the charity as a capital fund. The income arising from the investments is available for the purposes of each charity and is added to the relevant unrestricted fund. In most cases the Trustee has discretion to expend endowment funds should the need arise, subject to Finance and Resources Committee approval. There is no endowment fund held for the City of Edinburgh Council Charitable Funds as at 31 March 2022.

d) Grant income

Revenue grants, including those from government, are recognised in the Statement of Financial Activities (SoFA) in the period in which the Charitable Trust is entitled to receipt, it is probable that the income will be received and the amount can be measured reliably. Such income is deferred when the Charitable Trust has to fulfil conditions before becoming entitled to it.

e) Expenditure

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

f) Reserves policy

No reserves policy has been created for the City of Edinburgh Council Charitable Funds as the existing funds have been agreed to be disbursed as per the report to Finance and Resources Committee on 14 January 2016 and 23 January 2018.

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

1 Accounting policies - continued

g) Creditors

Creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

h) Cash and cash equivalents

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

i) Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the Charitable Trust becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of Charities SORP (FRS 102). At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

j) Critical judgements and estimates

The preparation of financial statements in compliance with Charities SORP (FRS 102) requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Charitable Trust funds' accounting policies.

The Trustee do not consider there to be any accounting judgements required in preparing these accounts. The Trustee are satisfied that accounting policies are appropriate and applied consistently.

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

2 Analysis of Income	2021/22	2020/21
	£	£
<i>Interest - received</i>	40	-
Total Income	<u>40</u>	<u>-</u>

3 Analysis of Governance and Support Costs	2021/22	2020/21
	£	£
<i>Support</i>	(1,868)	(1,938)
<i>Governance</i>	(2,141)	(2,136)
Total Support Costs	<u>(4,009)</u>	<u>(4,074)</u>

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

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

No Trustee received any remuneration or expenses during the year ending 31 March 2022. There are no employees of the City of Edinburgh Council Charitable Funds.

4 Analysis of Cash and Cash Equivalents	2021/22	2020/21
	£	£
<i>Cash at Bank</i>	96,228	100,302
Total Cash and Cash Equivalents	<u>96,228</u>	<u>100,302</u>

5 Analysis of Creditors Due Within One Year	Unrestricted funds	Endowment funds	2021/22 Total	2020/21 Total
	£	£	£	£
<i>Amounts due</i>	(3,969)	-	(3,969)	(4,074)
Total Liabilities	<u>(3,969)</u>	<u>-</u>	<u>(3,969)</u>	<u>(4,074)</u>

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

6 Analysis of Financial Assets and Liabilities	2021/22	2020/21
	£	£
<i>Financial assets measured at amortised cost</i>	96,228	100,302
<i>Financial liabilities measured at amortised cost</i>	(3,969)	(4,074)
<i>Financial assets measured at market value</i>	-	-
Total Financial Assets and Liabilities	<u>92,259</u>	<u>96,228</u>

7 Related Party Transactions

During the year the City of Edinburgh Council made payments on behalf of the Charitable Trust. At the end of the year £1,828 was owed to the Council by the Trusts (2020-21 £1,938).

8 Prior Year Adjustment

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

9 Post Balance Sheet Event

There have been no events since 31 March 2022, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

10 Audit Fee

The allocated fee payable to Azets Audit Services in respect of the audit services for the City of Edinburgh Council Charitable Funds is £2,141 for 2021/22. The figure for 2020/21 was £2,136. This fee is included in the overall governance costs in Note 3.

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

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

Unrestricted Funds

Charity Name	SC Number	Cash at Bank £	Amounts owed £	2021/22 Market Value £
<i>City of Edinburgh Council Charitable Funds</i>	SC025067	96,228	(3,969)	92,259
Total Funds		<u>96,228</u>	<u>(3,969)</u>	<u>92,259</u>

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

Unrestricted Funds

Charity Name	SC Number	Cash at Bank £	Amounts owed £	2020/21 Market Value £
<i>City of Edinburgh Council Charitable Funds</i>	SC025067	100,302	(4,074)	96,228
Total Funds		<u>100,302</u>	<u>(4,074)</u>	<u>96,228</u>

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

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the statement of accounts of The City of Edinburgh Council Charitable Funds for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2022 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the **Code of Audit Practice** approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of preparation

We draw attention to note 1 in the financial statements, which describes the basis of preparation. The Trustee has prepared the financial statements using a break-up basis of accounting as they consider that it is not a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Trustee for the financial statements

As explained more fully in the Responsibilities of the Trustee, the Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee intend to discontinue the charity's operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Reporting on other requirements

Other information

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Report on other requirements

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

Nick Bennett, for and on behalf of Azets Audit Services

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date.....

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