

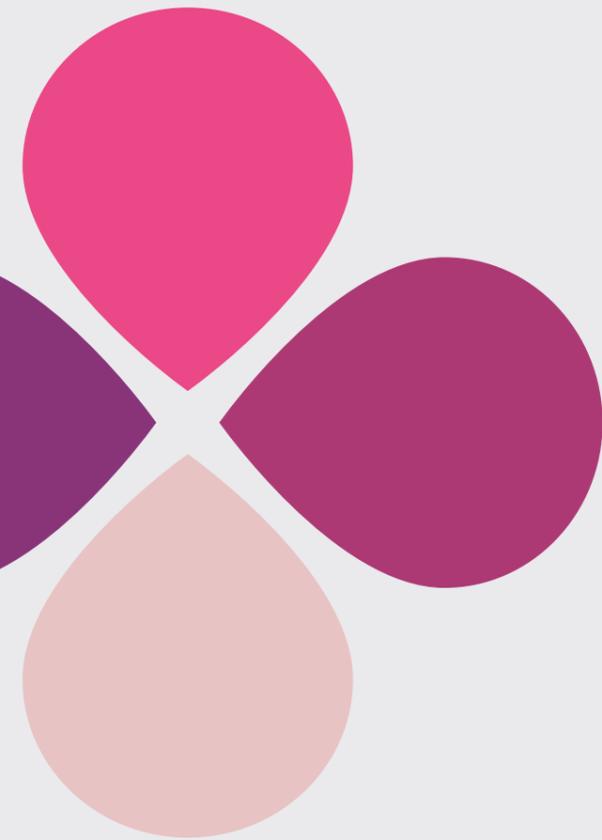


Edinburgh & Lothians
Health Foundation



**Annual Report
and Accounts**
2017/2018

Scottish Registered Charity Number SC007342



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Longer lives, better lived.

We work in strategic partnership with NHS Lothian and other partners who share our vision and values to make a difference to people's health and wellbeing on a local, regional and national level.

ACTIVITIES

We fund projects aligned with our priorities to:

- Improve the patient and carer experience
- Improve the health and wellbeing of the local community
- Reduce health inequalities
- Support Lothian as an academic Centre of Excellence
- Enhance NHS staff skills and performance
- Use the arts as a means of improving health
- Support the integration of health and social care systems

VALUES

Above-and-beyond:

We always provide additionality

Quality:

We strive for excellence in all we do

Inclusive:

We are committed to better health for all, and we will challenge health inequality

Independence:

We demonstrate independence in how we think and act

Transparency:

We act with transparency, accountability and integrity

Impactful:

We strive for measurable quality outcomes

Influential:

We will use our influence to leverage wider support, innovation and sustainability.

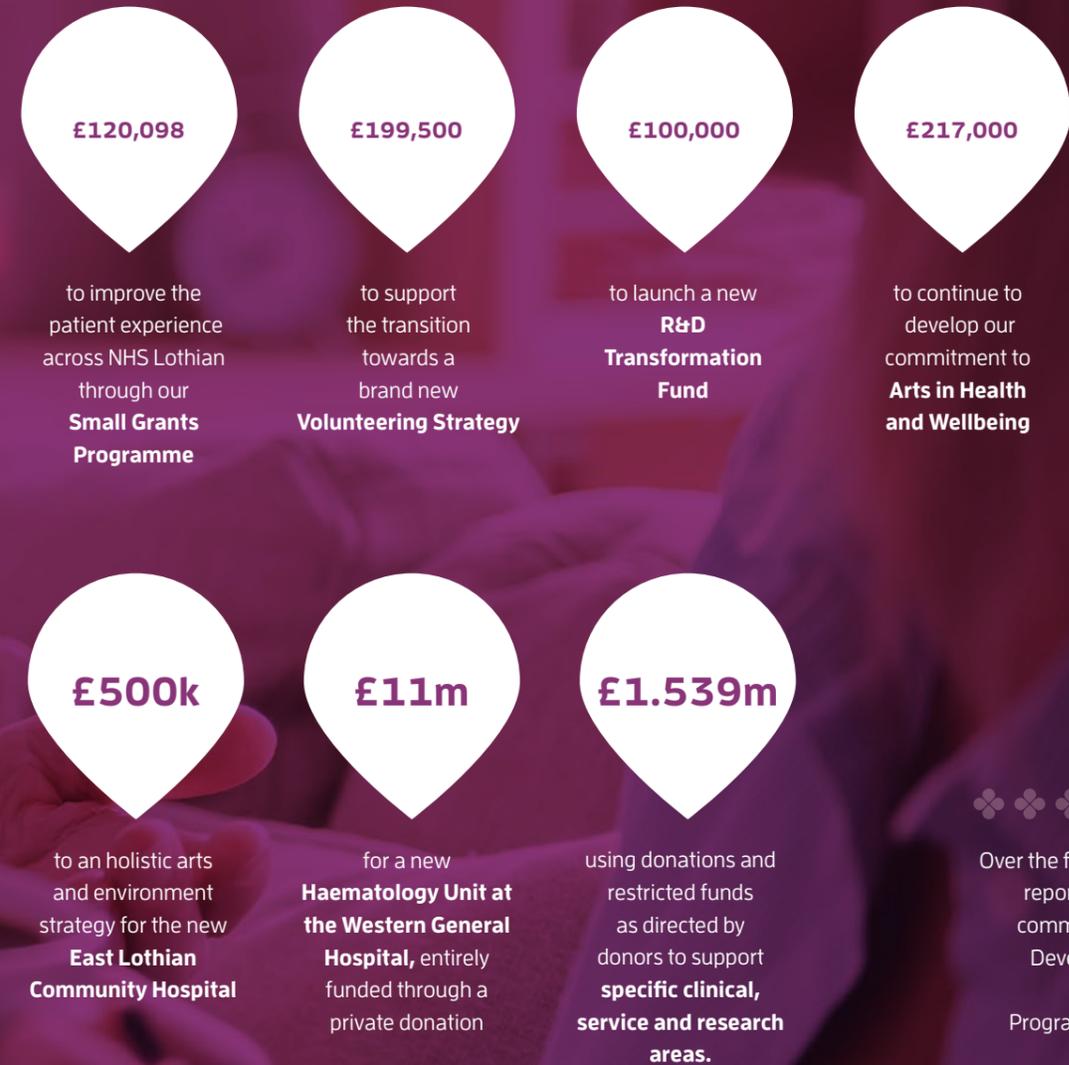


Trustees' Report

STRATEGIC REPORT

Achievements and Performance

In 2017/18, we continued to support the promotion of better health and wellbeing across Edinburgh and the Lothians through our grantmaking and investments, working with NHS Lothian and other partners. During the year we committed £14.201m in charitable expenditure (£3.690m in 2016/17). In line with our strategy we awarded grants to our strategic priorities including:



Over the following pages, we report in more detail our commitment to Strategic Development, Standing Grants, Other Grant Programmes and Specific Funds.



Achievements during 2017/18

STRATEGIC AIM 1:

To develop our grantmaking and arts programming to support the improvement of the physical and mental health and wellbeing of the people of Edinburgh and the Lothians.

What we achieved

- Commenced Year 1 of our new Grantmaking Strategy 2017-2022, through three strands of Strategic Development, Standing Grants and Other Grant Programmes.
- Invested in two new Strategic Development themes, Volunteering Well and GreenSpace.
- Continued to see the benefits of delivering our Arts in Health and Wellbeing Strategy.
- Established a new R&D Transformation Fund, annually investing and match funding to support the research and development infrastructure and improve patient outcomes.
- Awarded 65 Small Grants to a total of £120,098, for projects which promote a direct benefit to the patients of NHS Lothian.

STRATEGIC AIM 2:

In particular through our Specific Funds, to target transformative support at NHS Lothian, making a tangible difference to service users, patients, their carers and staff.

What we achieved

- Continued to reduce the number of restricted funds, through merger and closure, including the introduction of a policy revision to the management of dormant funds.
- Supported Specific Fund stewards of the larger funds to develop a more proactive use of donated funds.
- Trialled a Hardship Fund scheme at the Royal Infirmary of Edinburgh Critical Care Unit to support patients in acute financial hardship.
- Approved 58 investments through the Specific Funds towards charitable projects within NHS Lothian, improving the patient experience, investing in new technologies and innovation, supporting the education and development of staff and supporting clinical research.
- Participated in New Philanthropy Capital's UK-wide trial to develop a shared impact measurement framework.

STRATEGIC AIM 3:

To grow the Foundation and use all its resources to maximum effect

What we achieved

- Concluded conditional missives on the joint disposal and sale of trustees' property portfolio at Sciennes, together with NHS Lothian's holding at RHSC.
- Managed the investment portfolio effectively, generating a return of 5%, ahead of benchmark over the year.
- Received a considerable £11m grant from a private grantmaking trust, agreeing a Deed of Grant with NHS Lothian to redevelop haematology services at the Western General Hospital.
- Accepted a £755k residuary estate towards medical research into breast cancer; a plan is under development.
- Developed a comprehensive fundraising strategy for the Edinburgh Cancer Centre.



STRATEGIC AIM 4:

To develop the Foundation as a well governed, well managed organisation.

What we achieved

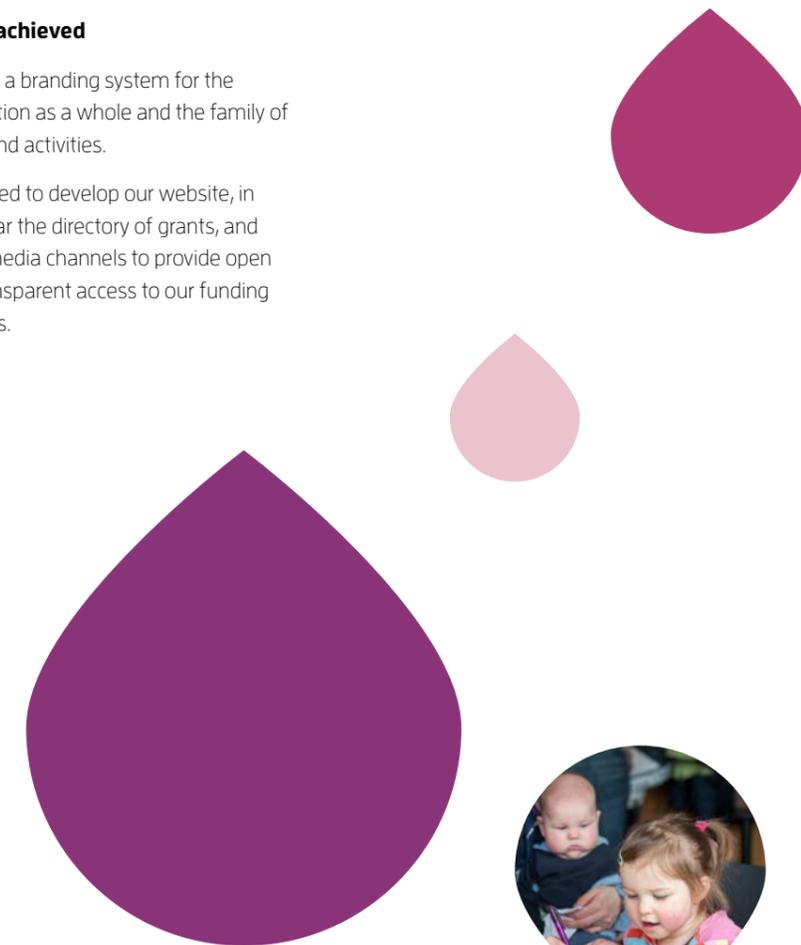
- Appointed a new Chair and Vice Chair of the Charitable Funds Committee, added further non-trustee stakeholders, and conducted an internal performance review of its activities.
- Inducted ten new trustees as they joined Lothian Health Board.
- Within NHS Lothian's information governance framework made provision for the Foundation's GDPR compliance.
- Governance Training Seminars (x2), Charity Investment Training (x3) and Cazenove Annual Investment Seminar. The Director also conducted Trustee Training Sessions (x2) for other NHS Endowment Boards.

STRATEGIC AIM 5:

To cultivate the Foundation as a more visible, accessible organisation.

What we achieved

- Devised a branding system for the Foundation as a whole and the family of funds and activities.
- Continued to develop our website, in particular the directory of grants, and social media channels to provide open and transparent access to our funding activities.





Strategic development

Launching the Grantmaking Strategy 2017-2022, Trustees recognised some previous thematic grants and funded activities had a greater reach and impact in terms of improving the health of our communities, both within and outside NHS Lothian. Trustees agreed to invest in those themes over the period, recognising their strategic importance under our vision of **longer lives, better lived.**

The strategic themes of our work 2017-2022 are:



During 2017/18 we:

- Supported two new-build Community Health Centres in Pennywell (North West Edinburgh) and Blackburn (West Lothian) with outstanding in situ artworks created by professional artists with high levels of community engagement.
- Ensured the Volunteering Hub at the Royal Edinburgh Hospital continues its vital work engaging patients and public volunteers, during the transition period towards NHS Lothian's bold new Volunteering Strategy.
- Commissioned a review of green activity across NHS Lothian and an estate map, alongside a literature review on the health and wellbeing benefits of GreenSpace, Green Exercise and nature-based interventions.
- Awarded a matched grant of £100k to pilot a Transformation Fund to support R&D Infrastructure programmes to improve patient outcomes.



Arts in Health and Wellbeing

Thanks to our funding, NHS Lothian is recognised as a leader in Arts in Health and Wellbeing in Scotland, through the delivery of a comprehensive Arts in Health Strategy since 2015.

In 2017/18 we continued to add to the established evidence base, and strive to reach our overall aims of improving health, wellbeing and the patient experience through the provision of high quality arts and creativity. During the year we have:

- Undertaken a significant programme of "Art on Walls"; conserving, curating and hanging a range of striking collection works at the new Royal Edinburgh Building, Western General and St John's Hospital, among others.
- Consolidated our partnerships with delivery organisations Music in Hospitals in Care and Artlink, who both continue to deliver innovative and quality live and participatory arts for our patients, their carers and staff.
- Delivered a series of Art & Therapeutic Design (ATD) projects in new capital builds across Lothian including the new Royal Hospital for Sick Children, Department of Clinical Neuroscience and Children and Adolescent Mental Health Services, and three new Community Health Centres.
- Contributed to the All-Party Parliamentary Group on Arts, Health and Wellbeing's inquiry *Creative Health: The Arts for Health and Wellbeing*, and Scottish Government's *Culture Strategy* through a series of Cultural Conversations.

Volunteering Well

Our investment of £250k a year into the delivery of a bold new Volunteering Strategy 2017-2022 will ensure NHS Lothian will become a hub for individuals seeking to invest time, talent and commitment for the benefit of the local health economy.

Following a grant in 2016/17 to scope out opportunities for the development of a strategic vision for volunteering across Lothian, we have continued to work with partners to design a strategy as the blueprint for achieving the full potential of volunteering for NHS Lothian and all its stakeholders.

The strategy will help NHS Lothian become an exemplar of best practice in Scotland in the management of volunteers, delivering a personally rewarding experience for every volunteer in tune with their personal goals.

The strategy represents a step change in the visibility and leadership of volunteering, in the recruitment and management of volunteers, and in partnership working with specialist voluntary organisations, with fresh approaches to branding, technology, role design, staff and community engagement and communications, so that volunteer recruitment is targeted, scalable and sustainable for the long-term.



By having that space to explore emotions and using materials to express myself – freed up head space over time which helped me to focus on myself and recovery"

Patient experience



GreenSpace

Trustees agreed to invest in the development of a strategic plan for GreenSpace, Community Gardens and Green Exercise activities across NHS Lothian from 2018 – 2022.

"There is compelling evidence that green exercise improves not only our physical health but also our emotional and mental health as well." Dr Gregor Smith, Deputy Chief Medical Officer.

In 2017/18 a contract was awarded to GreenSpace Scotland to develop a strategic vision for GreenSpace in Lothian: Outdoor Spaces, Access Routes, Community Gardens and nature-based interventions across NHS Lothian, with recommendations of how both the organisation and a range of stakeholder can benefit.

The output of the assignment will be a bold new GreenSpace strategy and action plan to which trustees have committed an investment of £100k per year for the period 2018 - 2022 to support the delivery of the strategy.

R&D Transformation Fund

A pilot funding stream to support research and development infrastructure and improve patient outcomes was agreed by trustees in 2017/18, to help take discoveries from bench-to-bedside at speed.

Between 2011-2016, the Research & Development strand of the General Fund Grants programme was in high demand, and a number of innovative important pieces of research were supported. Going forward, Trustees recognised the need to support the infrastructure of clinical research, and offered an enabling fund, with the plan to:

- increase the capacity of clinical research teams
- support the next generation of clinical researchers
- increase the number of clinical trials being supported
- recruit more patients to those trials

Long term, the aim of the R&D Transformation fund is to support many more breakthroughs by building a more sustainable funding mix between charitable support, core funding, R&D and Pharma grants.

In its first year, the R&D Transformation Fund matched a £50k grant from the General Fund with a similar sum from the Edinburgh Cancer Centre Research Fund (comprising public donations, legacies and fundraising). A similar commitment is expected in 2018/19, with a second programme cohort to be agreed later in the year.



There is compelling evidence that green exercise improves not only our physical health but also our emotional and mental health as well.

Dr Gregor Smith
Deputy Chief Medical Officer.



Standing grants

A number of programmes first funded through the Grants Programme 2011-2016 were agreed by Trustees to have had achieved wide and positive impact in supporting staff development, discretionary charitable projects, or providing added-benefit to specific vulnerable groups. Through these standing grants, Trustees are able to review impact on an annual basis.

During 2017/18 we:

- Awarded £10,000 for 'The Elsie's', a grant scheme dedicated to staff development, in honour of Edinburgh doctor and suffragist Dr Elsie Inglis.
- Supported the Chief Executive's Fund, a discretionary fund which can be directed to projects across a wide range of health-improving projects.
- Underwrote up to £25,000 for Celebrating Success, NHS Lothian's annual awards night to recognise the achievements and commitment of staff and volunteers.
- Granted £50,000 to support the Lothian & Edinburgh Abstinence Programme (LEAP) Family Programme, supporting the families of LEAP patients across Lothian.



ELSIE INGLIS AWARDS

The success and popularity of 'The Elsie's' continued in 2017/18, with 29 grants awarded for staff development and training. One such awardee, a Senior Charge Nurse in Healthcare and Forensic Medical Services for People in Police Care was supported to complete advanced clinical training to enable them to work alongside doctors within the police custody unit. Our awardee was among the first cohort of this condensed intensive course run by Stirling University.

CHIEF EXECUTIVE'S FUND

This year we provided support to Blood Bikes Scotland, a dedicated team of volunteer motorcyclists who transport small urgent items including blood samples, donor baby milk and medication within the community of NHS Lothian, Borders and Fife. A £1,000 grant was awarded to Blood Bikes Scotland to pay for state-of-the-art SatNav systems for their new bike fleet.

CELEBRATING SUCCESS

We once again supported NHS Lothian's much-loved annual Celebrating Success awards, which mark the inspiring and truly amazing work that takes place across health services in Lothian every day.



LOTHIAN AND EDINBURGH ABSTINENCE PROGRAMME (LEAP)

The LEAP Family Programme continues to make a difference in the lives of families whose loved ones suffer from addictions. Attendance at group meetings remains strong, and through our funding, investment in group members to take on leadership and facilitator roles has enabled the creation of new initiatives and groups, and to open the programme to other agencies across Lothian. Research and evaluation of the programme is underway on the importance of family-inclusive practice in addiction treatment services.



Other Grants programmes



Small Grants

The Small Grants Programme was initially established to offer support to those areas which did not have access to donated funds. Popular with staff in both acute and community settings, Small Grants continue to be used to enable staff to deliver a wide range of projects with clear patient benefit.

The projects funded during the year include arts therapy projects in different areas across Lothian, helping GP practices to improve signposting for patients to community-based services, supporting seriously ill children to attend therapeutic recreation activity camps, and supporting community-based services for CAMHS Mental Health and Speech Language Therapists.

Hardship Fund

In 2017/18 we launched a Hardship Fund scheme through the grants programme as part of our five year Grants Strategy. This is in addition to hardship grants linked to a small number of Specific Funds.

The current trial has been running since February 2018 and is available to patients in the Critical Care Unit of the Royal Infirmary of Edinburgh. The scheme was devised through discussion with Clinical Nurse Managers, General Management and the Social Work team and aims to provide financial support for patients suffering acute financial distress as a result of their illness and admission. The scheme also supports those caring for patients at a difficult time.



East Lothian Community Hospital

The vision is to create an inclusive, people-centred healthcare environment where nature and the arts are instrumental in improving the physical and mental wellbeing of patients, staff and visitors.

A £500,000 commitment towards the holistic evidence-based retrofit arts and environment strategy for the East Lothian Community Hospital in Haddington will:

COMFORT
Create a compassionate environment where creativity is integral to the physical and emotional healing.

Help meet the emotional needs of people in hospital by including them in decisions about the spaces they occupy.

ABSORB
Provide calming creative focal points that help to regulate mood and reduce anxiety in patients.

ACTIVATE
Inspire staff, patients and visitors by providing interesting opportunities for physical and mental engagement.

Encourage public use of the building and its grounds, embedding the hospital within the East Lothian community.

LOCATE
Create an easily navigable building accentuated by intriguing creative spaces and happenings.

Permeate the hospital building and grounds with artworks that draw upon East Lothian's unique landscape and stories.



Specific Funds

Specific Funds are held for purposes relating to NHS Lothian hospitals, departments, wards and areas of clinical research.

The Specific Funds are most commonly the beneficiaries of donations, fundraising activity and legacies and they are overseen by a Fund Steward, who directs the expenditure towards improving the patient and carer experience. During 2017/18 £13.435m was received to the restricted funds in voluntary and investment income (2016/17: £2.656m), and a total of £12.539m was spent on charitable purposes (2016/17: £2.000m)



- Elderly patients who are admitted away from their homes to hospital-based complex clinical care facilities can find it difficult to settle into an environment they are not familiar with. £15,888 was spent from the Geriatric Respite Services Fund to provide meaningful activity, stimulation and fun for patients using digital reminiscence therapy. Personalised content using family stories, films and music can be used on smart technology by patients on their own or in groups, or with the assistance of carers, nursing staff or volunteers.
- RayPilot is an electromagnetic real-time target tracking and motion recording system. A proposal for £123,000 from the Jamie King Urological Cancers Research Fund was approved to fund a significant research development for Stereotactic Ablative Radiotherapy (SBRT) for prostate and bladder cancer through enhancement of the RayPilot organ motion management system. This work will form the basis of the Edinburgh Cancer Centre Radiation Research Strategy, and will measure both tumour and normal tissue after each fraction of SBRT and either increase or decrease dosage to optimise the treatment outcome. Patients on the trial will receive prostate radiotherapy treatment over one week rather than 4-8 weeks. If successful it will maximise the potential of high dose per fraction SBRT to improve cancer care with reduced acute and longer term toxicity.
- £5,000 funding from the George and Janet Bassett Legacy Fund has enabled the clinical teams of the Simpsons and St John's maternity units to develop an engaging short film which will help to orientate and familiarise expectant mums, their partners and families with the facilities. On accessing these virtual tours patients will be enabled to make informed choices about where to have their baby.
- Two funds at the Royal Edinburgh Hospital committed funding to projects intending to enhance the experience for patients, including £1,375 to bring Theraponies onto five wards to meet the patients. A second £2,000 project, the result of a specifically worded legacy from a former patient and art lover, brought art classes to the patients of Thistle Ward.
- At Christmas 2017, as every year, the F.A.C.E. Cancer Fund at the Western General Hospital takes a group of children impacted by cancer or other life-threatening illness to visit Santa in Lapland.
- Twenty specialist incubator covers were purchased, at a cost of £34,374, for the Special Care Baby Units at St John's and the Simpsons, from their respective SCBU Funds. The IncuCap covers are constructed using a 3-layered specialty anti-microbial fabric which is lightweight and breathable, but is impervious to light and reduces noise, protecting the baby from sleep disturbance, and from germs.

Haematology Unit

A quite exceptional and generous donation of £11 million was received during the year to the haematology department, through a private grantmaking trust.

With this donation the team, led by consultant Peter Johnson, recognised a remarkable and unique opportunity to provide a fully integrated, improved patient journey for haematology patients through a significantly redesigned model of care of inpatient and outpatient services at the Western General Hospital.

The innovative service model (unique in Scotland) will be delivered in an expanded and co-located new state-of-the-art environment across two floors and will greatly improve the patient and carer experience. The new unit will provide a day case haematology unit and a new extended-day case facility, as well as upgrades the two existing inpatient units, all with individual en suite rooms.

Peter Johnson, Consultant Haematologist said – "This is an amazingly generous donation which is enabling this development of a high specification, integrated day ward and in-patient facility for the Edinburgh Haematology Centre. Future patients will benefit from significantly re-designed patient pathways including many more treatments delivered as outpatients, much improved in-patient facilities which will all be single rooms with en-suite facilities, and a greatly enhanced environment. Relatives facilities for overnight stays will be provided, as well as much improved staff rooms. It is a remarkable privilege to be part of a large team delivering this exciting project enabled by such a philanthropic and generous donation."

It is intended that work will commence from late 2018/2019; limited access to different operational clinical areas and the need to decant services will require a phased build.

The Trustees wish to record their grateful thanks, on behalf of the many patients and carers who will benefit from this most generous gift.



Our plans for 2018/19

Our Grantmaking Strategy 2017-2022 includes several strategic areas of focus which will start to see deliverable benefits in 2018/19, including the Volunteering Strategy "Volunteering Well" and GreenSpace. We also aim to bring in the resources necessary to launch a fundraising campaign for the Edinburgh Cancer Centre, to increase fundraised income for NHS Lothian to help provide an improved patient experience, family and carer support, enhanced patient environments, state-of-the-art equipment and technologies, pioneering clinical and patient-centred research, and professional development for staff.

Our core strategic goals in 2018/19 reflect these priorities and activities:

STRATEGIC AIM 1:

To develop our grantmaking and arts programming to support the improvement of the physical and mental health and wellbeing of the people of Edinburgh and the Lothians.

- We plan to launch and embed both Volunteering Well and GreenSpace strategies in partnership with NHS Lothian, in particular to establish Scotland's first NHS Youth Volunteer Service Manager, in Scotland's Year of The Young Person, thanks to the support of the Pears Foundation in association with #iWill.
- We plan to award a contract for the management of multiple art gallery spaces across NHS Lothian sites, for the benefit of patients, staff and visitors.
- We plan to proactively promote our Small Grants programme, offering funding to projects which have a clear benefit to patients of NHS Lothian.

STRATEGIC AIM 2:

In particular through our Specific Funds, to target transformative support at NHS Lothian, making a tangible difference to service users, patients, their carers and staff.

- We plan to establish a number of annual bursaries using Specific Funds; offering staff opportunities to learn and grow through conducting studies, attending conferences or centres of excellence and bringing and sharing learning back to NHS Lothian.
- We plan to continue to develop and support fund stewards in their role overseeing Specific and Ward Funds, and to actively manage fund dormancy and duplication.



STRATEGIC AIM 3:

To grow the Foundation and use all its resources to maximum effect.

- We plan to finalise the sale of the trustees' property portfolio at Sciennes.
- We plan to bring in the resources necessary to launch a fundraising campaign for the Edinburgh Cancer Centre.

STRATEGIC AIM 4:

To develop the Foundation as a well governed, well managed organisation.

- We will maintain our position as a leading example of best practice in NHS charities in Scotland, through robust local governance standards, and to support others in the sector.
- We will continue to induct, support and develop NHS Lothian board members, in order to equip them with the knowledge and skills necessary to fulfil their ex officio trustee role.

STRATEGIC AIM 5:

To cultivate the Foundation as a more visible, accessible organisation.

- We will launch our new brand across all our communication channels and marketing and fundraising collateral, and through our grantmaking and investments start to raise our profile across NHS Lothian and the wider community.
- We will upgrade our website in light of our new branding system and incoming fundraising strategy.





Pet therapy can improve a person's social, emotional and physical health, The super-cute miniature ponies are unintimidating and more approachable to children, the elderly or those in wheelchairs. We can't wait for them to return.

Staff experience



Financial Review

OVERVIEW

The most significant headline of 2017/18 was the anonymous charitable grant of £11.000m. This gift is directed through a Deed of Grant to fund the redevelopment of the Haematology Unit at the Western General Hospital. In total Trustees committed £14.201m on charitable activities over the year.

Returns on the investment portfolio were steady compared with last year's strong performance, but still ahead of benchmark.

The Foundation's net assets increased to £76.757m (2016/17: £74.175m).

INCOME

2017/18 was an exceptional year for the Foundation, driven by a number of significant one-off gifts including a grant of £11.000m, and a residual estate of £0.756m. Excluding these two gifts, charitable income dropped slightly from the previous year, and we recognise the unique circumstances in 2017/18. In the coming years, we hope to begin to see a sustainable increase in charitable income as a result of new branding and a fundraising and marketing strategy. Income from investments and property remained steady during the year.

The Foundation's net incoming resources, after investment gains of £1.573m were £2.582m (2016/17 net incoming resources, after investment gains of £10.117m, were £10.818m).

EXPENDITURE

Linked to the anonymous grant received, in 2017/18 Trustees agreed an £11.000m charitable commitment to fund the new Haematology Unit at the Western General Hospital. In addition Trustees approved £3.201m in charitable activities. For a full listing of our charitable grants go to www.elhf.co.uk

COSTS OF RAISING FUNDS

Investment management costs of £0.320m were slightly higher (2016/17 £0.295m). This aligned to the higher portfolio balance as fees are linked to the fund value.

PERFORMANCE GOING FORWARD

The Foundation, together with NHS Lothian, concluded conditional missives on the joint sale of the buildings at the Royal Hospital for Sick Children during 2017/18; however the receipt from the disposal of Trustees' holding will not be realised until after the transfer of clinical services to Little France. An agreed equalisation formula will form the basis of the split of the receipt. Rental income will also reduce when the properties are vacated.

A strategy for fundraising for the Edinburgh Cancer Centre was considered during 2017/18 and is due for approval in early 2018/19, along with a new branding system. Through investment in fundraising and marketing, additional income will build over the next five years to a gross, sustainable £2m per annum for cancer.

A recent Scottish Government and Charity Regulator review of NHS Tayside's historical endowment fund activity and of broader NHS Endowments' governance has led to greater scrutiny of the sector. Our longstanding transparent approach to charitable grantmaking and widely respected internal governance framework gives Trustees confidence in their historic grants and activities going forward.

RESERVES POLICY

Our policy is to hold investment reserves of 20% of the valuation of the investment portfolio to manage the impact of valuation changes on the capacity of the Foundation to support expenditure on grants. During the year total reserves exceeded 38% and Trustees considered and agreed a distribution of excess realised gains of £5.279m across the unrestricted and restricted funds.

The balance of investment reserves at 31 March 2018 was £19.124m (31 March 2017: £22.908m) remaining slightly above the Foundation's acceptable risk threshold of 20% of the valuation of the portfolio.

INVESTMENT PERFORMANCE

After the exceptionally low level of volatility in 2017, equity markets fell in the final quarter of 2017/18 on fears of higher inflation and tighter monetary policy in the US. The first negative quarter in some time affected the 12 months returns, proving a difficult environment to generate our investment objective of RPI +4%.

However the portfolio delivered a return of 5%, ahead of the benchmark of 2.5% for the year; and remains ahead of its inflation plus 4% target over three and five years.

A positive stock selection in equities has driven returns over the year, particularly within Emerging Markets.

Managers continue to see value in equities going forward, given the benign economic environment and improving earnings growth, however they anticipate current levels of volatility will likely continue.



**TABLE 1:
EDINBURGH AND LOTHIAN HEALTH FOUNDATION INVESTMENT PERFORMANCE SUMMARY FY2018**

	Benchmark asset allocation (%)	Allocation as at 31 March 2018 (%)	Actual performance as at 31 March 2018 (%)	Allocation as at 31 March 2017 (%)	Actual performance as at 31 March 2017 (%)
Portfolio	100	100	5.0	100	21.8
RPI + 4%			7.1		6.6
Benchmark*			2.6		20.7
Equities	60	64.4	8.2	64.8	31.1
Composite Equity Benchmark*			3.8		33.5
Bonds	20	14.5	0.1	14.3	7.8
FTA Gov All Stocks			0.5		6.6
Absolute Return		10.8	2.0	11.0	9.2
Alternatives (exc. Absolute Return)	20	9.5	0.0	9.5	9.7
UK 3-month LIBOR			0.4		0.5
Cash	-	0.8		0.4	

*all performance figures are net of Investment Management costs. Benchmarks are set within our Investment Policy and mandate.

Common Investment Scheme

The Trustees participate, under a Service Level Agreement (SLA) with the Trustees of Lanarkshire Health Board Endowment Fund, in a Common Investment Scheme. Only the Foundation's share of the Common Investment Scheme assets is included in the balance sheet under investments.

The Common Investment Scheme portfolio was valued at £68.337m at 31 March 2018 (2016/17: £67.384m) of which £64.174m related to the Foundation (2016/17: £63.121m).

Investment Policy

The investment objective is to maximise the "total return" (i.e. aiming to achieve an investment return through both income and capital growth) within moderate parameters of risk, and to maintain the real capital value of the portfolio over the long term.

The investment target is to achieve an annual rate of return (i.e. incorporating an allowance for inflation) of RPI + 4%. The Trustees have agreed not to set a specific annual income target.

The Trustees have agreed to a moderate tolerance of risk, accepting that at times this will mean accepting short or medium-term declines in capital values.

Trustees have considered the cost and risk implications of constructing a portfolio from a blend of directly held securities and pooled funds, and have concluded that this route is appropriate given the charity's specific requirements, particularly with respect to ethical and responsible investment, which cannot be met with sufficient proximity by pooled funds alone.

Ethical and Responsible Investment

At the end of 2017/18 Trustees began a review of the Foundation's approach to ethical and health-related investment. The review will conclude in 2018/19.

The current objectives are to observe responsible investment principles, and the charity's investment managers are expected to take into consideration the environmental, social and governance (ESG) risk characteristics of existing and prospective investments.

The Trustees maintain the following investment exclusions, which would be in direct conflict with the charity's objectives:

No direct investments in companies involved in tobacco production, distillers of alcoholic beverages or armaments. Screened at 10% of revenue.

Pooled funds will be screened prior to acquisition and at 6 monthly intervals for exposure to tobacco, alcohol and armaments at 10% of revenue and will only be invested in if these represent less than 5% of the overall assets of the relevant fund.

Trustees recognise that this policy excludes 4.5% of the Global Index by value.

The Investment Managers attend meetings of the Charitable Funds Committee.



Principal risks and their management

Trustees aim to adopt best practice to identify and mitigate against risks, and to have appropriate procedures and controls in place.

The Trustees' risk management objectives are to:

- Integrate risk management into the culture of the Foundation
- Manage risk in accordance with best practice
- Consider legal compliance as an absolute minimum
- Anticipate and respond quickly to social, environmental, financial and legislative change
- Raise awareness of the need for risk management

Systems in place to identify and mitigate risks include:

- The Risk Management Policy was approved by Trustees in 2017, and will be reviewed in 2020
- The Risk Management Policy is a reserved matter for Trustees
- Oversight responsibility for risk management is delegated to the Charitable Funds Committee
- The Risk Register is reviewed as a standing agenda item by the Charitable Funds Committee.
- Internal audit periodically reviews risk management systems and controls (most recently in 2016/17)

We have identified a total of 19 risks across four categories of Operational, Financial, Governance and Compliance risk. Trustees agreed a level of assurance on the adequacy of controls in place, and scored the residual risk against a possible range of low to very high. The principal risks (all scored at medium) and management strategies are summarised here.

OPERATIONAL

Loss of key staff because of lack of progression or development opportunities. To mitigate, all staff undergo Personal Development Planning and Review, and partake in an annual staff satisfaction survey. CFC receives regular reports on mandatory training and staff sickness. **Trustee Assurance:** Moderate **Residual Risk:** Medium

Failure of Sciennes Property portfolio to return its value through the joint disposal (with NHS Lothian). In mitigation a pre-sale equalisation formula agreed with NHS Lothian was approved by trustees in December 2016.

Trustee Assurance: Moderate **Residual Risk:** Medium

FINANCIAL

Low public awareness caused by a lack of visibility in a competitive market could lead to a loss of donations or legacies intended for Lothian hospitals. Mitigating actions include a new branding system which has been developed during the year, to be launched later in 2018.

Trustee Assurance: TBC **Residual Risk:** Medium

A failure to guard against "spend-out" of the General Fund resulting in an inability of supporting future objectives. We mitigate against this through an agreed policy on charitable spend, and commenced a new Grantmaking Strategy this year.

Trustee Assurance: Significant **Residual Risk:** Medium

GOVERNANCE

Failure to effectively manage the inherent and perceived conflict of interest because trustee is also NHS Lothian board. Mitigating controls include a robust and separate governance structure including a Charter, a Trustee Role Description, Code of Conduct, Conflict of Interest policy and Register of Interests, as well as a thorough induction for new trustees and regular charity training opportunities throughout the year.

Trustee Assurance: Significant **Residual Risk:** Medium

Since the approval of the 2017/18 Risk Register, trustees agreed a further review, based on the increased level of political and media scrutiny of NHS endowments following an NHS Tayside finance and endowments inquiry. After consideration of six existing risks and their management controls, trustees agreed to retain the Residual Risk scores and levels of assurance (no change to principal risks listed above). They also added a new risk, listed below.

OPERATIONAL

Reputational risk associated with other charity / NHS charity activities or misconduct. Trustees acknowledged existing strong governance frameworks as good management control, whilst still scoring this "live" Residual Risk as high due to negative media interpretation influencing public opinion across the sector.

Trustee Assurance: Moderate **Residual Risk:** High



Structure, governance and management

CHARITY'S OBJECT

Edinburgh and Lothians Health Foundation is the operating name for the Lothian Health Board Endowment Fund, which is registered as a charity in Scotland SC007342. Our registered office is Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

The Foundation, by virtue of its governing document the *National Health Service (Scotland) Act 1978* is constituted as a corporate trustee, i.e. Lothian Health Board is the corporate body trustee of the Foundation.

The Foundation's object is the advancement of health, through the improvement of the physical and mental health of the people of Scotland, the prevention, diagnosis and treatment of illness, the provision of services and facilities in connection with the above, and the research into any matters relating to the causation, prevention, diagnosis or treatment of illness, or into such other matters relating to the health service as the trustees see fit.

The Trustees shall observe the principal of not granting endowment funds as a substitute for a core provision, or to cover a responsibility of Lothian NHS Board which is a requirement of health and safety, employment law or a ministerial policy direction. This is in order to reduce the risk of conflict of interest between the role of Lothian Health Board and the Foundation Trustee.

APPOINTMENT OF TRUSTEES

All members of Lothian Health Board are appointed by Scottish Ministers. Board members become Trustees of the Foundation *ex officio*, which leads to a consolidation requirement. Trustees collectively are an unincorporated body distinct from Lothian Health Board which indemnifies Trustees (collectively and individually) against allegations of neglect or breach in respect of their duties as Trustees.

The appointment as Trustee is legally distinct from the appointment as board members and individual board members, in their capacity as Foundation Trustees, are required to meet the requirements of the *Charities and Trustee Investment (Scotland) Act 2005*. No other individuals are permitted to be appointed to act as Trustees. Trustees who served throughout the year to 31 March 2018, except where otherwise disclosed, are listed on page 28.

Trustees are given a thorough induction to the Foundation when they join the Board, including an induction pack which includes the Foundation's Charter, Trustee Role Description and Code of Conduct and Conflict of Interest Policy. Trustees are also invited to seminars and other development opportunities on governance, investment and charitable funding.

POWERS OF INVESTMENT

The Lothian Health Board's powers of investment in its capacity as corporate trustee of the Lothian Health Board Endowment Fund are principally derived from the Foundation Charter and the *Charities and Trustee Investment (Scotland) Act 2005*:

Trustees are entitled to make any kind of investment of the endowment including a wider power to acquire stocks and shares, or heritable property. Trustees' duties before making an investment are to consider the need for diversification of investments, consider the suitability of the proposed investments, and to consider obtaining appropriate advice.

Trustees also have powers to appoint nominees (i.e. an investment manager) for the purpose of investment.

REMUNERATION

Trustees are responsible for the appointment of the senior officers (Higher than Agenda for Change Band 7) in accordance with NHS Scotland Agenda for Change policy framework.

NETWORKS AND AFFILIATIONS

The Foundation is an associate member of the Association of NHS Charities and a founding member of the NHS Scotland Endowments Network Group, both of which promote the effective working of NHS Charities.

The Foundation is also a member of the Scotland Funders Forum, Scottish Grantmakers, committed to best practice in funding the voluntary and community sector and maximising the impact of funding for the benefit of Scotland, and the Association of Charitable Foundations.



Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which show a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the Foundation.

In preparing these financial statements, generally accepted accounting practice requires that the Trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with applicable accounting standards and the requirements of the National Health Service (Scotland) Act 1978, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities.

The Trustees are required to act in accordance with the *National Health Service (Scotland) Act 1978*, within the framework of trust law. They are responsible for keeping adequate accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 44 of the *Charities and Trustee Investment (Scotland) Act 2005*, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

Approved by the Edinburgh & Lothians Health Foundation Trustees at their meeting held on 27 June 2018

DISCLOSURE OF INFORMATION TO AUDITORS

To the knowledge and belief of each of the persons who are Trustees at the time the report is approved:

- a) So far as the Trustee is aware, there is no relevant information of which the organisation's auditor is unaware; and,
- b) He/she has taken all steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Trustees and signed on their behalf by

Mr Brian Houston

27 June 2018

Susan Goldsmith

27 June 2018



Organisation

TRUSTEE BOARD

Brian Houston(Chairman)	Ricky Henderson..... (until 20/4/18)	John McGinty..... (from 23/6/17)
Shulah Allan, MBE(until 31/12/17)	Martin Hill.....(vice-chair)	Prof Alex McMahon.....
Michael Ash.....	Carolyn Hirst.....	Bill McQueen..... (from 1/2/18)
Kay Blair(until 23/1/18)	Prof Tracy Humphrey(from 1/9/17)	Alison Mitchell.....
Ian Campbell(from 20/4/18)	Fiona Ireland.....	Derek Milligan..... (from 23/6/17)
Harry Cartmill(until 30/4/17)	Peter Johnston.....(until 31/5/17)	Peter Murray.....
Martin Connor..... (from 1/9/17)	Catherine Johnstone (until 30/4/17)	John Oates..... (until 22/2/18)
Tim Davison.....	Alex Joyce.....	Fiona O'Donnell..... (from 7/7/17)
Tracy Gillies.....	Prof Alison McCallum.....	Prof Moira Whyte.....
Susan Goldsmith.....	Angus McCann..... (from 1/9/17)	Lynsay Williams..... (until 31/3/18)
Donald Grant.....(until 30/4/17)	Julie McDowell..... (until 31/5/17)	Dr Richard Williams..... (until 28/2/18)

DECISION MAKING AND COMMITTEES

Trustees are responsible for the general control and management of the administration of the Foundation, agreeing the strategy, any policies pertinent to governance and control, annual budgets, and internal and external audit. Trustees approve the Annual Report and Accounts, the establishment, membership and Terms of Reference of any committee, and consider any proposal for expenditure outwith the strategy and annual budget over £100k. There were five full Trustee meetings during 2017/18.

Trustees are served by two committees and advisory groups. Both are chaired by a Trustee, but include non-Trustee members. Both report to the full Trustee Board:

The Charitable Funds Committee is appointed to develop the Foundation's strategy and objectives, oversee the implementation of an infrastructure appropriate to its efficient and effective running, oversee the expenditure and investment plans, and monitor the performance of the Foundation's activities ensuring it adheres to the principles of good governance and complies with all relevant legal requirements.

The Arts Advisory Group is appointed to advise on the Arts in Health and Wellbeing Strategy and associated budget, and the ongoing programme activity.

Trustees delegate day-to-day control of operations to the Foundation Director, who is responsible for the management of the Foundation and ensuring that the Trustees' strategies and policies are followed.

ADVISORS

Auditors (Statutory)

Scott-Moncrieff
Exchange Place
3 Semple Street
Edinburgh EH3 8BL

Auditors (Internal)

NHS Lothian
Waverley Gate
2-4 Waterloo Place
Edinburgh EH1 3EG

Investment Managers

Schroder & Co Ltd
t/a Cazenove Capital
Management
12 Moorgate
London EC2R 6DA

Investment Advisors

Mercer
Quartermile One
15 Lauriston Place
Edinburgh EH3 9EP

Bankers

The Royal Bank of Scotland plc
Commercial Banking
1st Floor, Gemini Building
24-25 St Andrew Square
Edinburgh EH2 1AF

Solicitors

Turcan Connell
Princes Exchange
1 Earl Grey Street
Edinburgh EH3 9EE

STAFF

Jane Ferguson.....	Director
Rhonda Baillie.....	Payments Officer
Elaine Blaney.....	PA/Fundraising Assistant
Maisie Fordwood.....	Assistant Accountant
Natalie Franks.....	Funds Administrator
Susan Grant.....	Arts Manager
Jackie Sands.....	Arts Manager (secondment)
Owen Siddalls.....	Grants Manager
Jill Snowdon.....	BCI Fundraising Manager

Auditor's report and financial statements





Independent Auditor's Report to the Trustees for the year ended 31 March 2018

Opinion

We have audited the financial statements of Edinburgh and Lothians Health Foundation for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2018 and of its income and expenditure 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 (as amended) and the National Health Service (Scotland) Act 1978.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustees' Report; or
- 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.

Responsibilities of the trustees

As explained more fully in the Statement of trustees' responsibilities set out on page 27, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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 trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the National Health Service (Scotland) Act 1978.

Our audit work has been undertaken so that we might state to the charity's trustees, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Harbness

27 June 2018

Scott-Moncrieff, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh EH3 8BL



Financial Statements

Statement of Financial Activities for the year ended 31 March 2018

		Unrestricted funds 2018	Restricted funds 2018	Total funds 2018	Unrestricted funds 2017	Restricted funds 2017	Total funds 2017
	NOTE	£000	£000	£000	£000	£000	£000
Income and endowments from:							
Donations and legacies	2	403	12,878	13,281	400	2,200	2,600
Charitable activities		0	0	0	0	1	1
Investments	3	1,704	557	2,261	1,638	455	2,093
Total		2,107	13,435	15,542	2,038	2,656	4,694
Expenditure on:							
Raising funds	4	193	139	332	180	123	303
Charitable activities	5	1,662	12,539	14,201	1,690	2,000	3,690
Total		1,855	12,678	14,533	1,870	2,123	3,993
Net gains/(losses) on investments		986	587	1,573	5,934	4,183	10,117
Net income/(expenditure)		1,238	1,344	2,582	6,102	4,716	10,818
Transfers between funds		(4)	4	0	(5)	5	0
Net movement in funds		1,234	1,348	2,582	6,097	4,721	10,818
Reconciliation of funds							
Total funds brought forward	17	48,015	26,160	74,175	41,918	21,439	63,357
Total funds carried forward		49,249	27,508	76,757	48,015	26,160	74,175

The Statement of Financial Activities includes all gains and losses recognised in the year.
All results relate to continuing activities.

Notes I - 17 on pages 35-46 form part of these accounts.



Financial Statements

Balance Sheet as at 31 March 2018

		Total funds 2018	Total funds 2017
	NOTE	£000	£000
Fixed assets			
Investments			
Securities	8	64,174	63,121
Cash awaiting investment	11	55	27
Heritable property	8	11,120	11,120
Total fixed assets		75,349	74,268
Current assets			
Short term investments	8	2,003	0
Debtors	10	8,417	599
Cash at bank and in hand	11	4,626	2,448
Total current assets		15,046	3,047
Current liabilities			
Creditors: amounts falling due within one year	12	(2,638)	(2,989)
Net current assets		12,408	58
Long term creditor	12	(11,000)	(151)
Total assets less current liabilities		76,757	74,175
Financed by - charity fund total		76,757	74,175

Notes I - 17 on pages 35-46 form part of these accounts.

The Edinburgh & Lothian Health Foundation Accounts for the year ended 31 March 2018
were approved by the Trustees at their meeting held on 27 June 2018

Mrs Susan Goldsmith

Trustee
27 June 2018

Mr Brian Houston

Chairman of Trustees
27 June 2018



Financial Statements

Statement of Cash Flows for the year ended 31 March 2018

	NOTE	Total funds 2018 £000	Total funds 2017 £000
Cashflows from operating activities			
Net cash provided by/(used in) operating activities	1	1,684	(3,755)
Cash flows from investing activities			
Dividends, interest and rents from investments		2,261	2,093
Proceeds from the sale of property, plant and equipment		0	0
Purchase of property, plant and equipment		0	0
Proceeds from sale of investments		10,586	12,462
Purchase of investments		(12,325)	(11,217)
Net cash provided by investing activities		522	3,338
Change in cash and cash equivalents in the reporting period		2,206	(417)
Cash and cash equivalents at the beginning of the reporting period		2,475	2,892
Cash and cash equivalents at the end of the reporting period	11	4,681	2,475

RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2018 £000	2017 £000
Net income for the reporting period (as per the statement of financial activities)	2,582	10,818
Adjustments for:		
(Gains) on investments	(1,317)	(10,509)
Dividends, interest and rents from investments	(2,261)	(2,093)
(Increase) in debtors	(7,818)	(45)
Increase / (Decrease) in creditors	10,498	(1,926)
Net cash provided by (used in) operating activities	1,684	(3,755)



Notes to the Accounts

I. PRINCIPAL ACCOUNTING POLICIES

GENERAL INFORMATION

I.1 Basis of preparation

These financial statements are presenting in pounds sterling (GBP) as that is the currency in which the charity's transactions are denominated. They comprise the financial statements of Edinburgh and Lothians Health Foundation. The objective of Edinburgh and Lothians Health Foundation is the advancement of health and the promotion of physical and mental health and wellbeing of the people of Scotland. Edinburgh and Lothians Health Foundation is an unincorporated charity, recognised as a charity for tax purposes by HMRC and registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC007342. Details of the principal address can be found on page 26 of the trustees' report.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS102), the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Update Bulletin 1 to the SORP published in February 2016 the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the National Health Service (Scotland) Act 1978 and the charity's constitution.

Edinburgh and Lothians Health Foundation meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost unless otherwise stated in the relevant accounting policy.

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note I.14.

The principal accounting policies applied in the preparation of these financial statements are noted below. These policies have been applied consistently to all the years presented in dealing with items which are considered material in relation to the charity's financial statements unless otherwise stated.

Going concern

The Trustees are of the opinion that the charity can continue to meet its obligations as they fall due for the foreseeable future. The financial position and cash-flow forecasting is reviewed on a regular basis by the Finance and Investment Advisory Committee and reported to Trustees. As a consequence the Trustees have prepared the financial statements on a going concern basis.

Controlling entity

The financial statements are consolidated into the Lothian Health Board (operating as NHS Lothian). The basis of the consolidation is merger accounting. The accounts are available on the website of NHS Lothian.

I.2 Income

Donations and grants are recognised once the charity has entitlement to the resources, it is probable that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

Investment income is recognised when right to receipt is established.

Incoming resources are included gross of any tax recoverable.

Income that is restricted by the donor is included in an existing restricted fund that most closely matches the nature of the restriction unless it is not possible to match the donation to a fund in which case a new fund will be established. Income which has no restrictions attached is included in the general funds of the charity.

Legacies are accounted for as incoming resources either upon receipt or where the receipt of the legacy is probable; this will be once confirmation has been received from the representatives of the estate(s) that payment of the legacy will be made or property transferred once all conditions attached to the legacy have been fulfilled.

Where legacies have been notified to the charity and the criteria for income recognition haven't been met, the legacy is treated as a contingent asset and disclosed if material. Legacy income is measured at fair value, generally the cash amount receivable, and is discounted if deferred for more than 12 months. The unwinding of the discount is recognised as interest receivable.



1.3 Resources expended and recognition of liabilities

All expenditure is recognised when there is a legal or constructive obligation committing the charity to the expenditure. Expenditure is accounted for on an accruals basis and has been classified under headings of raising funds and charitable activities, which aggregate all costs related to the category.

The costs of generating funds are the direct costs associated with raising funds and include fundraising costs and investment management fees. Fundraising costs are those incurred in seeking voluntary contributions and include direct costs such as publicity and direct mailing material. Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of charitable activities.

Costs of charitable activities comprise all costs identified as wholly or mainly incurred in the pursuit of the charitable objects of the charity. These costs, where not wholly attributable, are apportioned between the categories of charitable expenditure in addition to direct costs. The total costs of each category of charitable expenditure therefore include support costs and the apportionment of overheads, as shown in note 5.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity. These costs include costs related to statutory audit together with an apportionment of overhead and support costs.

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

Most items of medical or scientific equipment and aids for the handicapped may be zero-rated for VAT purposes when purchased wholly from charitable Funds.

The charity is not separately registered for VAT. As permitted by HM Revenue & Customs (HMRC) under the NHS Contracted Out Services Regulations, VAT on relevant invoices paid from Endowment Funds is reclaimed using Lothian Health Board's own VAT registration reference. Amounts reclaimed are credited to the endowment funds which bore the costs initially.

1.4 Investments

Investments and properties are stated at fair value at the balance sheet date. The investment property was revalued on 28 August 2015 by Rydens Property Consultants and Chartered Surveyors, in accordance with RICG guidelines, on an open market value basis.

Quoted stocks and shares are included in the balance sheet at mid-market price, excluding dividends as this is not materially different from bid value.

Any realised gains and losses on revaluation or disposals are disclosed in the Statement of Financial Activities.

1.5 Realised and unrealised gains and losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and the carrying value (purchase date if later). Unrealised gains and losses are calculated as the difference between the fair value at the year-end and the carrying value (or purchase date if later).

1.6 Heritage assets

Heritage assets are not included in the balance sheet at valuation as they are not held for the purposes of conservation but to promote the arts in health and wellbeing. The Foundation has an inventory of artworks and other minor collectables. Acquisitions and gifts of historical or other heritage value to the Foundation are not generally made. The Trustees do not have any plans to dispose of heritage assets. The management of the heritage assets of the Foundation are overseen by its Board of Trustees. The details of heritage assets are in note 9.

1.7 Pensions

The Foundation is a grant making charity and has no employees (Foundation staff are employees of NHS Lothian); any pension contribution or taxation liabilities that may arise are solely the responsibility of the grant recipient.

1.8 Taxation

The Foundation has charitable status and is exempt from income tax under Section 505 of the Income and Corporation Taxes Act 1988 and capital gains tax under Section 256 of the Taxation of Chargeable Gains Act 1992 and the Foundation is entitled to describe itself as a Scottish charity.

1.9 Funds

Unrestricted funds are income sources which are receivable for the objects of the charity without further specified purposes and are available as general funds.

Designated funds are unrestricted income sources which have been earmarked for a specific future purpose.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund, together with a fair allocation of management and support costs.

1.10 Accrued income

Accrued income relates to legacies and dividend income to which the charity is entitled which has not been received at the year end.

1.11 Creditors

Trade 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.

1.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held within the investment portfolio, balances held in commercial banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1.13 Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the charity 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 II of FRS102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest 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 the asset expire, or when the Charity 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.

Current assets and current liabilities are measured at the cash value expected to be paid or received.

1.14 Significant estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Foundation makes judgements in applying accounting policies.



2. DONATIONS & LEGACIES

	Unrestricted funds 2018	Restricted funds 2018	Total funds 2018	Unrestricted funds 2017	Restricted funds 2017	Total funds 2017
	£000	£000	£000	£000	£000	£000
Donations	271	11,636	11,907	249	619	868
Legacies	132	1,235	1,367	149	1,576	1,725
Grants	0	7	7	2	5	7
Total voluntary income	403	12,878	13,281	400	2,200	2,600

3. INVESTMENT INCOME

	Unrestricted Funds 2018	Restricted Funds 2018	Total Funds 2018	Unrestricted Funds 2017	Restricted Funds 2017	Total Funds 2017
	£000	£000	£000	£000	£000	£000
Listed equity investments	1,394	557	1,951	1,323	454	1,777
Bank interest	0	0	0	1	1	2
Rental property	310	0	310	314	0	314
Total investment income	1,704	557	2,261	1,638	455	2,093

4. RAISING FUNDS

	Unrestricted funds 2018	Restricted funds 2018	Total Funds 2018	Unrestricted funds 2017	Restricted funds 2017	Total Funds 2017
	£000	£000	£000	£000	£000	£000
Investment management	186	134	320	175	120	295
Fund raising costs	7	5	12	5	3	8
Total raising funds	193	139	332	180	123	303



5. CHARITABLE ACTIVITIES

The Foundation did not undertake any direct charitable activities on its own account during the year. Grants were approved in favour of beneficiaries and the Foundation incurred expenditure with third parties in pursuance of those grants or reimbursed expenditure incurred by beneficiaries. Support costs have been apportioned across the categories of charitable expenditure based upon the level of expenditure on grant funded activity.

An initial allocation of overhead and support costs has been made to unrestricted funds and restricted funds based on the balances on these funds at the end of the financial year, exclusive of heritable properties. From this allocation, balances are then identified for governance related costs leaving a residue to be allocated and /or apportioned across all other activities, namely charitable expenditure and costs of generating funds.

	Unrestricted funds 2018	Restricted funds 2018	Total funds 2018	Unrestricted funds 2017	Restricted funds 2017	Total funds 2017
	£000	£000	£000	£000	£000	£000
Grant Making						
Grant funding of activities (note 6)	1,400	12,350	13,750	1,453	1,839	3,292
Support costs (Note 7)	213	154	367	192	131	323
Governance	49	35	84	45	30	75
Total charitable activities	1,662	12,539	14,201	1,690	2,000	3,690

6. ANALYSIS OF GRANTS EXPENDITURE

The Foundation does not make grants to individuals. The total cost of making grants is disclosed on the face of the Statement of Financial Activities. Restricted funds are operated on Trustees' behalf by Stewards, who may disburse grants to a designated limit of £5,000 based on the purposes of that fund.

Total grant making expenditure was £13,750k of this the following institutions received grant funding above £100,000:

	£000
Institutional Grants	
NHS Lothian	12,337
University of Edinburgh	409
Other Organisations	1,004
Total	13,750

Note 16 contains more detail on the grant making expenditure with NHS Lothian.



7. ANALYSIS OF SUPPORT & GOVERNANCE COSTS

	Charitable Activities	Governance costs	2018	Charitable Activities	Governance costs	2017
	£000	£000	£000	£000	£000	£000
Salaries and related costs	269	47	316	248	44	292
External Audit	0	14	14	0	15	15
Non audit services	0	4	4	0	3	3
Rent/post/phone	98	19	117	75	13	88
Total	367	84	451	323	75	398

The Foundation Office costs in 2017/18 totalled £451,000 (2016/17: £398,000). This is represented principally by costs of eight full time NHS Board employees (2016/17 – seven). They work exclusively for the Foundation, providing a service Lothian-wide.

Only one senior employee earned an emolument of more than £60,000 per annum during 2017/18, being in receipt of salary in the band £80,000 to £90,000 (2016/17 – £80,000 to £90,000). Employer pension contributions for the senior employee during 2017/18 were £12,654 (2016/17 – £12,530).

No Trustee received any remuneration or expenses from the Foundation during the year (2016/17 – none).

Scott-Moncrieff received fees of £420 for non-audit activities in 2017/18 (2016/17: £1,200).

Other key expenditure items during the year relate to a SLA with NHS Lothian for financial services provision, operational website costs, legal and property costs and other office expenditure.

8. INVESTMENTS

	Investment Property 2018	Market Investments 2018	Total 2018	Investment Property 2017	Market Investments 2017	Total 2017
	£000	£000	£000	£000	£000	£000
Cost or valuation at 31 March 2017	11,120	63,121	74,241	11,120	53,857	64,977
Acquisitions	0	10,322	10,322	0	11,217	11,217
Disposals	0	(10,586)	(10,586)	0	(12,462)	(12,462)
Revaluation gain	0	1,317	1,317	0	10,509	10,509
Valuation at 31 March 2018	11,120	64,174	75,294	11,120	63,121	74,241

The historic cost of market investments is £53,390k (2016/17 £53,074k).

The investment property was last revalued on 28 August 2015 by Rydens Property Consultants and Chartered Surveyors, in accordance with RICC guidelines, on an open market value basis.

There is a short term cash investment of £2,003k greater than 3 months but under one year that is shown within current assets.



9. HERITAGE ASSETS

The Foundation possesses an inventory of historical and contemporary artworks and other minor collectables which are not held for the purposes of conservation but to promote the use of arts and heritage as a therapeutic component of improving health and wellbeing for patients and visitors to NHS premises. At 31 March 2018 the latest available valuation (as at April 2009) of the inventory was approximately £1,226,000. There is a valuation exercise nearing completion.

10. DEBTORS

	2018	2017
	£000	£000
Tax recoverable	22	0
Prepayment & accrued income	8,393	599
Other debtors	2	0
Total	8,417	599

11. CASH AND CASH EQUIVALENTS

	2018	2017
	£000	£000
Cash at bank	3,626	2,448
Cash at investment manager	55	27
Notice deposits < 3 months	1,000	0
Total cash and cash equivalents	4,681	2,475

12. CREDITORS

	2018	2017
	£000	£000
Creditors due within 1 year		
Trade payables	53	207
Accruals	2,585	2,782
Total	2,638	2,989
Creditors due greater than one year		
Accruals	11,000	151
Total Creditors	13,638	3,140

The creditors falling due after one year relate to the agreed commitment in relation to the Haematology project, expected timeline of payment is March 2020.



13. FINANCIAL ASSETS & LIABILITIES

	2018	2017
	£000	£000
Financial assets at fair value	75,294	74,241
Financial assets at amortised costs	15,101	3,074
Financial liabilities at amortised costs	13,638	3,140

Current assets and current liabilities are measured at the cash value expected to be paid or received

14. ANALYSIS OF SPECIFIC FUNDS

Hospital Specific Funds >£100k	Balance B/fwd	Receipts	Payments	Transfer In/(Out)	Gains / (Losses)	Balance at 31/03/2018
	£000	£000	£000	£000	£000	£000
St John's Hospital at Howden:						
Chemotherapy	120	49	(3)	0	18	184
Martha Ritchie Cancer Care Fund	147	23	(3)	0	19	186
Western General Hospital						
WGH Neurological Surgery Fund	418	79	(37)	0	55	515
Edinburgh Cancer Centre Fund	239	31	(21)	0	32	281
Rheumatic Diseases Unit Fund	169	6	(9)	0	22	188
Edinburgh Centre for Neuro-Oncology	104	15	(4)	0	14	129
Margaret Lee Oncology Fund	115	13	(13)	0	14	129
Microbiological Research Fund	104	3	(3)	0	14	118
Jamie King Urological Cancers Research Fund	335	14	(126)	0	29	252
Head & Neck Cancer Research Fund	179	7	(4)	0	23	205
General Oncology Department Fund	1,258	107	(24)	(758)	174	757
Fighting Cancer in Edinburgh Fund	89	62	(54)	0	10	107
Colorectal Research Fund	93	35	6	0	13	147
Lyda Henderson Memorial Fund	101	3	(7)	0	13	110
W&K Turnbull Coronary Care Fund	260	10	(25)	0	33	278
Mackenzie Cardiac Research Fund	284	9	(30)	0	37	300
Haematology Research Fund	431	66	(19)	0	61	539
Paul Abraham Molecular Laboratory Fund	199	7	(4)	0	26	228
ReMind	143	5	(2)	0	19	165
CJD Research Unit Fund	86	5	(2)	0	11	100



Hospital Specific Funds >£100k	Balance B/fwd	Receipts	Payments	Transfer In/(Out)	Gains / (Losses)	Balance at 31/03/2018
	£000	£000	£000	£000	£000	£000
Breast Cancer Institute Fund	323	854	(57)	0	92	1,212
WGH Clinical Trials Unit	0	151	0	0	0	151
Astley Ainslie Hospital						
Physiotherapy Department Fund	91	3	(5)	0	12	101
Royal Victoria Building:						
The Edinburgh Parkinson's Service Fund	123	5	(5)	0	16	139
Roodlands Hospital:						
Harriet Connolly Fund	143	4	(24)	0	17	140
Simpson Centre for Reproductive Health:						
G & J Bassett Legacy Fund	315	11	(6)	0	41	361
Royal Hospital for Sick Children:						
R G Calderwood Cardiology Fund	181	6	(4)	0	24	207
Trastevere Fellowship Paediatric Pathology	122	4	(4)	0	16	138
Leukaemia & Cancer Fund	336	14	(50)	0	39	339
Royal Infirmary of Edinburgh:						
Kidney Transplant	264	10	(27)	0	35	282
Coronary Care Unit Fund	287	92	(59)	0	48	368
Scottish Liver Transplant Unit	238	63	(102)	0	28	227
Vascular Research Fund	137	23	(7)	0	19	172
CEG Wright Renal Scanner Fund	310	10	(6)	0	41	355
Medical Renal Unit Fund	697	28	(17)	0	92	800
Renal Research Fund	158	5	(30)	0	17	150
(RIE) Orthopaedics Department Fund	156	20	(5)	0	21	192
Brown & Ireland Estate Arthritis Fund	117	4	(2)	0	15	134
Princess Alexandra Eye Pavilion:						
Treatment of Blindness & Research Fund	134	12	(3)	0	18	161
Eye Research Fund	131	44	(3)	0	19	191
Total Hospital Specific Funds >£100,000	9,137	1,912	(800)	(758)	1,247	10,738



Division-wide Specific Funds >£100K	Balance B/fwd	Receipts	Payments	Transfer In/(Out)	Gains / (Losses)	Balance at 31/03/2018
	£000	£000	£000	£000	£000	£000
Dorothy Melville Bequest Edinburgh Dental Institute	451	16	(12)	0	59	514
CAMHS Eating Disorder, Research & Self help	648	21	(156)	0	86	599
Edinburgh Cancer Centre Research Fund	0	5	(104)	1,963	0	1,864
Share of Undistributed Investment Reserves	9,359	0	0	1	(1,591)	7,769
Total Division-wide Specific Funds >£100,000	10,458	42	(272)	1,964	(1,446)	10,746
Other Specific Funds less than £100,000	6,565	11,481	(11,606)	(1,202)	786	6,024
Total Hospital & Division-wide Specific Funds >£100k	26,160	13,435	(12,678)	4	587	27,508

The Trustees set a closing balance of £100,000 or above as the threshold for separate reporting of material funds.

The titles of the individual funds are indicative of the particular speciality, department, hospital or research activity that they support. They fall into two broad categories – funds received by way of legacies or substantive donations to support particular specialities/developments/research activities. Alternatively, they are funds of a custodial nature established at the request of designated Fund Stewards and controlled by them on an operational

basis, but subject to the general oversight of the Trustees. Although Investment Reserves are held for the benefit of individual General (Unrestricted) and Specific (Restricted) Funds, they are held in separate Reserve Accounts until such time as the Trustees may deem it appropriate for part or all of the reserves to be distributed to individual Funds.

General (unrestricted) funds exist for each hospital or group of hospitals in Lothian to hold donations where the donor has made the donation for the benefit of an individual hospital or group of hospitals but not specified how the

Funds are to be expended. In these circumstances, the Trustees use their discretion in deciding how to use these Funds.

There are many individual Specific (Restricted) Funds where the donor has expressed a wish as to how the donation is to be used. Typical uses are research, patient amenities and equipment.

Transfers

The transfers in year of £4k were principally in relation to transfers to the Specific from General.

15. MATERIAL DONATIONS, LEGACIES OR GRANTS

Details of all individual donations, legacies or grants of over £50,000 are listed below

Donation/Grant to:	Donor/Legator/Grantor	Purpose	Amount
			£000
Simpsons Centre for Reproductive Health	Anonymous	Neonatal Unit	100
Western General Hospital	Charon Fund	Clinical Trials Unit	100
Western General Hospital	Anonymous	Haematology Unit	11,000
Astley Ainslie Hospital	AAH League of Friends	Rehabilitation Services Fund	53
Western General Hospital	Bosom Buds of Scotland	Clinical Trials Unit	50
Western General Hospital	Joyce Allan, deceased	Breast Cancer Institute Fund	756
Western General Hospital	Janet Colvin, deceased	Neurological Surgery Department Fund	63
Western General Hospital	Edith Ferguson, deceased	LUHD Cancer Research Fund	59
Western General Hospital	Krysia Watson, deceased	Breast Cancer Institute Fund	120
Total			12,301



16. RELATED PARTY TRANSACTIONS

The Trustees are all executive or non-executive members of Lothian Health Board. There were no transactions with the Trustees or their related organisations during the year other than with Lothian Health Board. The charity's grant making transactions remitted to Lothian Health Board during the financial year amounted to £12,337,464 (breakdown shown below). Included within income is rental income of £299,000 from Lothian Health Board. As stated in note 5 the Foundation administrative support costs consist mainly of staff on Lothian NHS Board employment contracts with a cost of £316,000 which was charged by the Health Board. At 31 March 2018 there was a balance outstanding of £126,105 payable to NHS Lothian.

Expenditure with NHS Lothian:	Further info	Amount £000
General Funds		
ELCH arts projects	Page 17	500
R&D transformation	Page 12	50
Other NHSL – small projects		89
Ward Funds		
Numerous small projects		51
Specific Funds		
Haematology	Page 19	11,000
Other specific fund expenditure		647
Total grant making expenditure with NHSL		12,337

17. ANALYSIS OF NET ASSETS ACROSS FUNDS

	Unrestricted Funds 2018	Restricted Funds 2018	Total 2018	Unrestricted Funds 2017	Restricted Funds 2017	Total 2017
	£000	£000	£000	£000	£000	£000
Tangible assets	11,120	0	11,120	11,120	0	11,120
Investments	35,915	28,259	64,175	35,322	27,831	63,153
Net current assets less long term creditors	2,214	(751)	1,463	1,573	(1,671)	(98)
Net assets	49,249	27,508	76,757	48,015	26,160	74,175



This report is available in large print

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