



# THE CARNEGIE TRUST

## FOR THE UNIVERSITIES OF SCOTLAND

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### TRUSTEES' ANNUAL REPORT AND ACCOUNTS

**One hundred and twenty second Annual Report for the year to 30th September 2023**

**Carnegie Trust for the Universities of Scotland**

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# Chair's Introduction

I have great pleasure in presenting our Trustees Report and accounts for the Carnegie Trust for the Universities of Scotland for the year ended 30<sup>th</sup> September 2023. My first full year as Chair has been one to celebrate. While our finances are still recovering from the vicissitudes of Covid, we are slowly building our programme back up. As well as on-going fee payments, student support and our PhD programme, we have been able to restart our valuable Research Incentive Grants and are poised to restart the Vacation Scholarships programme shortly. To help us stabilise our income, we are seeking a further change to our Royal Charter to permit a power to distribute on a total returns basis, in line with best practice in the charity sector. We are also refreshing our strategy so that we can continue to honour the legacy of Andrew Carnegie and deliver his vision for our times.

Last year I reported that we had commissioned an impact assessment. This was a warm endorsement of the vital role that our funding plays in making it possible for students to gain access to a university education in Scotland. It confirmed that even our small research awards can be enough to attract follow-on funding from other sources. For this we have to thank our army of peer reviewers, who ensure we only support high quality research proposals. The stories of the transformational effect on our beneficiaries of the fees programme and student support would have gladdened Carnegie's heart. While those who receive the small number of PhD awards we are able to make spoke highly of them, the report identified this as an unsustainable programme for us in the long term, given our income levels, so this financial year is the last time we make these particular awards. We do so with reluctance, but are resolved to use this portion of our income to make a broader impact for both individuals and the sector as a whole in the future. None of this would of course be possible without our dedicated staff team. After the long slog of Covid, they have had much to deal with, and their continued professionalism is in large part why our brand remains so strong in the sector. I offer them my sincerest thanks.

Professor Andy Walker has led them through all of this, and now retires after a decade of distinguished service. For many, Andy is synonymous with CTUS. He joined us following an illustrious career as a physicist, culminating in his role as Senior Deputy Principal at Heriot Watt. This background gives him a deep empathy with the community we serve, and made him the perfect person to drive forward an ambitious governance review that involved reducing the number of Principals on our Board. This necessitated his first skirmish with our Charter, and it is a tribute to his dedication that he is even now helping us pursue further changes to it, to allow the modernisation of our investment strategy. We also owe him an enormous debt of gratitude for his leadership during Covid. Whilst it disrupted our programme and derailed opportunities for strategic review, Andy made sure our wheels stayed firmly on. In this he both demonstrated and exemplified our steadfastness to the sector. We will miss him, and so will many members of the wider Carnegie family globally. Thank you, Andy! Dr Eve Poole, lately Interim CEO at the RSE, has taken over as Interim CEO for us while we seek a worthy successor to Andy.

I would not be able to be an effective Chair without such a tremendous Board of Trustees. They give unstintingly of their time and talents and we are extremely fortunate to have people of their calibre on our team. The Board said fond farewells to four trustees this year. Our Deputy Chair, Professor Dame Sally Mapstone, stepped down from the Board after taking over the position of President of Universities UK. She served on the Board for seven years, including on the Nominations & Remuneration Committee, and has rarely missed a meeting. She has been a huge help both formally and informally in the Trust's work and we will miss her enormously. Three other Trustees stepped down this year, including Alan McFarlane, Chair of the Investment Committee, who wisely guided us through the crucial initial stages of reviewing our investment strategy. Dr Alison Fielding also withdrew after a seven-year term. She has been particularly good at

representing the Trust's grant-recipient alumni, and a faithful attender of meetings despite the travel distance. We will miss her highly effective wisdom on numerous topics. Sara Parkin's seven-year term also came to an end this year. She has been our self-nominated 'disrupter' and has brought much richness to the Board. She has always pursued her arguments with charm and persistence and often acted as the Trust's conscience on environmental issues and investment policy. In their stead, Professor Andrea Nolan has become Deputy Chair; Carnegie PhD alumnae Dr Claire Swan and Dr Alexandra Walker have joined the Board; and we have added two University Principals, Professors Richard Williams (Heriot Watt) and James Miller (UWS), to our number. We welcome them all and are already benefitting from the considerable wisdom that they bring.

The Trust's purpose is personal to me. I saw first-hand the transformational effect that access to a university education had on my own family, and feel lucky to be able to help steer such a noble charity towards a bright future. Next year I will be able to update you on our new strategy, which is designed to consolidate our core grant-making activity while also freeing us up to add more value to the sector as a whole. Meanwhile, there is plenty to do, and I sign off by thanking the whole Carnegie community for their stalwart support of our valuable work.

A handwritten signature in black ink, appearing to read 'Ronnie Bowie', written in a cursive style.

Ronnie Bowie

Chair of the Board of Trustees

# Structure, Governance and Management

## Trust Constitution and Powers

The Trust was founded by Andrew Carnegie through a Trust Deed dated 7 June 1901 and incorporated by Royal Charter on 21 August 1902. The Charter was replaced in 1978 and updated in 2015. A further update was completed on 3 April 2019 with the sealing of a Supplementary Royal Charter, which governs the operations of the Trust from that date.

The Trust has fourteen Trustees, of whom five are appointed from the Principals of the Scottish universities who are all eligible *ex officio* for appointment as a Trustee. The remaining nine nominated Trustees are appointed by the existing Trustees following an open advertisement. They are selected by the Trustees on the advice of the Nominations Committee, which works to ensure an appropriate range of experience in the Trust. Trustee induction takes place through provision of relevant background information and early involvement as a participant or observer in the committees of the Trust.

The Royal Charter requires that all Trustees, whether appointed as the Principal of one of the Scottish universities or holding office in a personal capacity, shall retire from office as Trustee after a term of three years but be eligible for re-appointment at the Annual General Meeting at which the term of office expires, subject to a maximum term of nine years.

The Trustees have power to constitute committees out of their own number with such functions, powers and responsibilities as the Trustees may think fit. Terms of Reference for all Trust Committees have recently been reviewed and updated to confirm remit, membership, quorum and voting. A committee may co-opt other persons, who are not Trustees, as members of the committee; but no-one who is an employee of the Trust may be co-opted as a member of a committee. A co-opted member of a committee may not act as the Chair of the committee. A committee may, with the approval of the Trustees, obtain professional advice, should the committee consider that appropriate or necessary for the performance of its functions.

## Investment Committee

The Investment Committee shall advise the Trustees on all matters relating to Investment Strategy. In particular, the principal function of the Investment Committee shall be that of keeping under regular review the investments held by the Trust, of considering the suitable investment of funds which may be available for investment, of considering the desirability of retaining or realising existing investments and of considering, and reporting to the Trustees, the general investment policies and strategies to be followed by the Trustees. The committee shall also keep under review the performance and quality of service provided by any professional fund manager or other professional advisor engaged by the Trustees to manage the investment of assets of the Trust. No fewer than three members of the Investment Committee shall be persons reasonably considered by the Trustees to be qualified by their ability in, and experience of, financial matters.

The Board of Trustees may also request the Investment Committee to take on additional areas of responsibility as the need arises, for instance in the area of a move towards Total Return. The Investment Committee should also keep the Trust's Investment Policy up to date, including statements on Risk Appetite and ESG, to inform the day-to-day management of the funds.

The Investment Committee shall meet at least twice in any financial year. Meetings shall be called by the Chair and may be held online or in person. The Secretary and Treasurer and the Bursar will normally attend. A representative of the investment manager will also be invited to attend from time to time. Minutes shall be taken and circulated to the Board of Trustees.

## **Audit and Risk Committee**

The principal functions of the Audit and Risk Committee shall be that of reviewing the annual accounts and audit of the Trust and keeping under review the internal control and risk management systems, including the risk register maintained by the Trustees. The Chair of the Trust may not be a member of the Audit and Risk Committee.

The Board of Trustees may also request the Audit and Risk Committee to take on additional areas of responsibility as the need arises. In particular, the Board has assigned the following duties to the Committee:

- a. To review the annual financial statements, including the auditor's formal opinion, the statement of Trustees' responsibilities and any risk management statements, focusing particularly on changes in and compliance with accounting policies and practices and major judgmental areas.
- b. To discuss with the external auditors any problems and reservations arising from the audit, including a review of the management letter incorporating management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary).
- c. To advise the Trustees on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors and any questions of resignation or dismissal of the external auditors.
- d. To keep under review the effectiveness of internal control and risk management systems.
- e. To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness in carrying out the charitable purposes of the Trust.

The Audit and Risk Committee shall meet at least twice in any financial year. Meetings shall be called by the Chair and may be held online or in person. The Secretary and Treasurer and the Bursar will normally attend. A representative of the external auditors will also be invited to attend from time to time. Minutes shall be taken and circulated to the Board of Trustees.

## **Nominations and Remuneration Committee**

The principal function of the Nominations Committee shall be that of considering persons who might be invited to accept office as a Trustee on the occurrence, or expected occurrence, of a vacancy in the body of Trustees, including the five Trustees selected from among the Principals of the Scottish universities, and of making recommendations to the Trustees in regard to the filling of the vacancy. At least one of the members of the Nominations Committee shall be a Principal of a Scottish university.

The Board of Trustees has asked the Nominations Committee to consider senior staff nominations, and from 2022 onwards to include Remuneration and HR policy in its remit and may request the Committee to take on additional areas of responsibility as the need arises.

The Nominations Committee shall meet at least twice in any financial year. Meetings shall be called by the Chair and may be held online or in person. Staff may be invited to attend as required. Minutes shall be taken and circulated to the Board of Trustees.

## Statement of the Trustees' Responsibilities

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Royal Charter, dated 3 April 2019, together with the law applicable to charities in Scotland require the 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 incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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 in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the Royal Charter. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Trustee induction in the past has involved the provision of key governance documents and Board minutes, and an induction visit with staff at Andrew Carnegie House. We routinely include Trustees in training opportunities that are offered to us by approved third parties. We are currently reviewing our Trustee Skills Matrix and our induction process so that we can identify and remedy any additional training or development needs that we identify through this process.

## Operating Policies of the Trust

### Statement of Delegated Authority

The day-to-day management of the Trust is delegated to the staff team under the current Statement of Delegated Authority, most recently approved by the Board on 6 October 2023. Policies are in place to govern the activities of the Trust, and these are currently under comprehensive review by the Committees to ensure that they remain up to date and fit for purpose. The Nominations Committee has the brief for HR policies, while policies on IT, finance and risk are distributed between the Audit and Risk Committee and the Investment Committee as appropriate.

### Pay policy

The Trustees and the Trust Secretary are the key management personnel. No Trustees receive remuneration; details of the reimbursement of Trustees expenses are in Note 13a to the financial

statements. Staff terms and conditions of employment are set by the Nomination and Remuneration Committee from time to time. The pay of all staff is reviewed annually in line with contractual terms, using a current benchmark of the University of Edinburgh pay scale.

### Related parties

Material transactions with related parties are disclosed in Note 13b to the financial statements. The Trust's policy is for Trustees, executives and advisers to declare their interest and exempt themselves from all relevant discussions and decisions which may involve a transaction with a related party or in which they may have a conflict of interest.

## Objectives and activities

### Background

The Carnegie Trust for the Universities of Scotland was established as an independent not-for-profit foundation in 1901, through an initial endowment of \$10m in stocks, donated by the philanthropist Andrew Carnegie, who was born in Dunfermline. The Trust was founded in 1901 and incorporated by Royal Charter in August 1902. It is a registered Charity in Scotland, number SC015600. The accounts have been prepared in accordance with the accounting policies set out on pages 21 to 22 and comply with our Royal Charter, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), and the 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) (Second Edition – October 2019).

### Purpose

Under the Trust's Royal Charter, the purpose of the Trust is the improvement and expansion of the Universities of Scotland, including extension of the opportunities for study and research therein; and the provision of support for those deserving and qualified students attending these universities for whom the payment of fees might act as a barrier and, as appropriate, where there is a demonstrable need for additional support.

### Activities

Under our Charter, one half of the net income is to be applied to the improvement and expansion of the Universities of Scotland (Clause A) and one half to the payment of fees for qualifying Scottish students in respect of courses leading to a degree at a Scottish University (Clause B). The Trustees have discretion to transfer unexpended surplus income under Clause B, firstly to Clause A objectives, and then to purposes that would further the usefulness of the Universities.

The Trust's activities therefore involve supporting research staff and students of the 15 Universities of Scotland, the Glasgow School of Art and the Royal Conservatoire of Scotland through the following schemes:

**Undergraduate Tuition Fee Grants** fund undergraduates studying for a first degree, or a second degree in limited subject areas.

**Study Support Grants** are offered to recipients of Undergraduate Tuition Fee Grants to alleviate barriers to learning such as computer or IT equipment, study materials, travel to campus, or childcare costs.



A competitive **Carnegie Vacation Scholarship** scheme aims to encourage undergraduate students to develop their research skills by undertaking a short research project in the summer vacation, under the supervision of an established academic.

The **Carnegie PhD Scholarships** support a limited number of graduates, with first class Honours degrees, who will pursue three to four years of postgraduate research.

The **Carnegie Research Incentive Grant** scheme offers awards to Early Career Researchers aiming to develop a new line of research.

## Awards Policy

The Trust welcomes applications in all fields of study and research offered in the eligible institutions of higher education. Undergraduate Tuition Fee Grants and Study Support Grants are awarded based on applicant eligibility and financial need. Awards are decided by the Trust's Director of Programmes on the recommendation of the Grants Officer, according to the eligibility criteria of the scheme which derive from the Trust's Royal Charter.

All other schemes are awarded on a competitive basis, following external review by experts in the subject area of the application. All schemes are advertised to potential applicants through the Scottish universities, the Trust's website, and social media channels. Trust staff deliver presentations about schemes online and in person, and regularly meet with research development officers or student funding administrators to ensure potential beneficiaries are made aware of the Trust's funding opportunities.

Since Covid, it has become increasingly difficult to find academics available to assess grant applications and staff have been investigating alternative methods to peer review as a selection mechanism for research proposals. Following the lead of the British Academy, the Trust will be introducing a partial randomisation process for selecting applications to its Research Incentive Grants in 2023.

Peer review will remain central to the assessment process in order to determine whether an application is fundable or not. Applications deemed of a fundable quality will then be entered in a randomised selection process. The latter will only include the unique identifier for each application and the amount requested by the applicant to ensure the selection algorithm is completely blind to personal characteristics or professional affiliation. Prof Emma Hart from Edinburgh Napier University has designed a sampling method which will be trialled for 4 years. During the trial, we will monitor the impact of the changes on the distribution of funding across the Scottish universities and their researchers.

We believe that this new approach will reduce the burden on researchers looking for funding as well as on reviewers assessing proposals. Additionally, this new process will help diminish potential bias and ensure that all applications that meet our quality threshold or funding criteria for support are treated equally.

## Evaluation

At the end of 2022, the Trust commissioned an external evaluation of its grant-making schemes to provide insights into the effectiveness of the Trust's grant funding, and to give a clearer understanding of the Trust's impact. The report produced by independent consultants Research Consulting and Seymour Research emphasises the Trust's position as a very well-respected organisation that has been a positive presence in Scotland for well over a hundred years. The Evaluation Report identifies ways in which each scheme creates impact for beneficiaries and universities, with the UG Fees, Vacation Scholarships and RIGs schemes occupying a distinctive niche. The Evaluation Report noted that the Carnegie PhD Scholarship scheme is well regarded,

supports research in a wide range of disciplines, and provides significant career benefits for the scholars. However, this impact is concentrated on a few individuals, and the scheme is less affordable for the Trust in today's context, meaning that fewer scholarships can now be awarded. As a result, the Trust has decided with reluctance to phase out the PhD Scholarship scheme, to achieve broader impact with the available funds, both for individuals and for the sector as a whole.

## Strategy

The findings from the Evaluation Report underline the importance of maintaining the number of awards in any category, their value, and their regularity, if the Trust is to continue to make an impact on the Scottish university sector. There are nonetheless a number of vulnerabilities in relation to policy changes relating to tuition fees, an evolving education ecosystem, as well as demographic trends that could change demand for tuition fee support. Affordability of schemes is another ongoing concern, with a reduced income and higher inflation leading to a reduction in the number of awards.

With this in mind, the Trustees are committed to a regular review of the work of the Trust and planning its future work. Over the coming years, the Trust intends to:

- Restructure its grant portfolio to focus on a core suite of schemes that includes the Undergraduate Tuition Fee Grants and associated Study Support Grants; Vacation Scholarships and Research Incentive Grants
- Phase out the PhD Scholarships and re-allocate funds to restore the remaining schemes to their pre-Covid levels
- Develop a five-year planning cycle to monitor the impact of core schemes and to provide more flexibility to adjust activity to evolving conditions or emerging challenges in the Higher Education sector.

## Achievements and Performance in 2022-23

The broader financial context for the Carnegie Trust for the Universities of Scotland in financial year ending 30<sup>th</sup> September 2023 is set out in the Financial Review which follows. Generally, since the Covid 19 pandemic, the Trust's income has been under continuous pressure and the normal cycle of schemes and the number of awards have both been cut back. In November 2022, the Trust re-opened the Research Incentive Grants to new applications for the first time since March 2020 but was unable to offer the Vacation Scholarships to Undergraduates. With a smaller budget available for programmes, all schemes except for the Undergraduate Tuition Fee Grants have seen a decline in the number of awards on offer this year.

### Undergraduate Tuition Fee Grants

This financial year, the Trust received 362 applications by the closing date of 1<sup>st</sup> December 2022 and made 257 awards - amounting to £451,410. 278 applications were new with the remaining 84 applying for the renewal of their award. Nine of the awards were subsequently cancelled. Therefore, total funds amount to £435,030, approx. £65k under the allocated budget. The scheme's success rate was 71%, a 7% decrease on AY 21-22 owing to more ineligible applications being submitted this year. Withdrawing from a previous course of study or a change of course remains the primary reason for seeking fee support from the Trust, accounting for 44% of active grants. A total of 30 students benefited from the widening of eligibility criteria to include those undertaking a 2<sup>nd</sup> degree in a skills priority area for the Scottish economy.

## Study Support Grants

A total of 205 invitations to apply for a Study Support Grant were sent to recipients of Undergraduate Tuition Fee Grants during the year under review, resulting in 76 applications submitted by 50 students. The number of applications continued to decrease throughout the year, from 39 in October 22 to a mere 16 in Summer 2023. In total, 53 grants were awarded to 32 students and 23 applications were rejected. The total awarded across the three rounds was £27,650, with an average grant value of £522 (largest individual award being £1,500, the smallest £300). Awards aim to support students in a precarious financial situation; the average annual income of an SSG recipient (excluding student loan and social benefits) is just £3,306. 19 applicants indicated on their application that they had also applied to their respective university's discretionary fund, 8 of whom had received support at the time of applying to the Trust.

## Carnegie Research Incentive Grants

The RIG scheme re-opened to new applications for the first time since March 2020. A total of 200 applications were received to the November 2022 round, up from 127 in March 2020. Following an initial eligibility and quality check, 169 applications were sent for peer review, and 67 subsequently shortlisted for consideration by the selection committees (32 in the Sciences, Engineering and Technology and 35 in the Arts, Humanities and Social Sciences). Given the reduced budget available, only 40 grants were awarded: 22 in AHSS and 18 in SET, totalling £509,104. This equates to an overall success rate of 20.2%, down from 27% in the March 2020 round. The grant value ranged from £4,312 to £15,000, with a median award value of £14,874 (up from £13,698 in March 2020).

## Carnegie PhD Scholarships

Under the quota for nominations operated by the Trust, up to 64 nominations may be accepted each year across the 17 eligible HEIs. This year, 61 nominations were received from 16 institutions. The Glasgow School of Art did not put forward any candidates, while Abertay, UHI and Heriot-Watt did not fill their quota. A total of 10 Carnegie PhD Scholarships were offered this year (down from 12 in 2021-22), with one additional award funded by the Royal Society of Edinburgh. Among the scholarship offers, 60% of the candidates selected by the Panels declined their award which was then offered to a candidate on the reserve list.

# Financial review

## Overview

In 2022-23, the Trustees have again prioritised the recovery of the General Fund reserve rather than running a full programme of awards. We were pleased to be able to hold a Research Incentive Grant round in 2022-23 but suspended the Vacation Scholarship Scheme. This was disappointing as it had been hoped that there would be a quick resumption of the normal programme in 2022-23. Income has shown a decrease from the previous year as the portfolio continues to be reshaped to have a greater emphasis on growth. However, the continuing impact of interest rate rises and geopolitical events creating significant uncertainty in equity markets has resulted in minimal growth of our investments to 30<sup>th</sup> September 2023.

## Investments and dividend income

The valuation at 30<sup>th</sup> September 2023 was £72.1m, an increase of £1.3m compared with the valuation at 30<sup>th</sup> September 2022.

During the year Rathbone have continued to reshape the portfolio with the intention of stabilising income and creating a base from which to grow. The actual total income for the year of £2.6m is a decrease of £293k compared with the previous year.

### **Other income**

Bank deposit income increased in the year as higher rates prevailed throughout the whole period; cash was placed on deposits with the objective of increasing returns on cash held. Small donations and legacies are regarded as repayments and included as Clause B income, within the General Fund.

### **Expenditure**

Total charitable expenditure remained steady at £2.4m by comparison to the previous year (£2.4m). In the current year we ran the Research Incentive Grant Schemes but not the Vacation Scholarship grants, in the previous year the Vacation Scholarship scheme was run, but not the Research Incentive Grant Scheme.

The additional Study Support Grants paid as Clause B expenditure decreased from £27,850 in 2022 to £18,750. Three rounds were held in Autumn, Spring and Summer and awards totalling £8,900 were also made for living expenses funded by the restricted donation from the Nairn Family Trust.

The operating result for the unrestricted funds, before gains and losses on investments was a surplus of £235,069 (2022-surplus of £548,054). Restricted funds comprise the Nairn Fund and the depreciation of the Andrew Carnegie House building.

The net movement in funds for the year, after net investment realised, and unrealised gains and losses of £1.3m (2022-losses of £4.2m), was a surplus of £1.5m (2022-deficit of £3.7m).

### **Balance sheet**

The Trust's balance sheet continued to show a significant cash holding at year-end £3.60m (2022 £3.89m), reflecting the commitments made to Research Incentive Grants and PhD scholarships which will be paid in future years as research is carried out.

### **Funds and Reserves**

The total funds at 30<sup>th</sup> September 2023 were £73.4m comprising the Endowment Fund of £72.1m, the Nairn Fund of £52k, the Property Reserve Fund of £433k represented by the share of Andrew Carnegie House, and the General Reserve surplus of £799k.

The Reserves policy set by the Trustees is intended to protect the Trust from unexpected fluctuations in future income from the Endowment. The level set includes a proportion of current income, to permit short-term continuity of support to beneficiaries in the event of a significant income fall, plus allowances for additional operational costs and higher beneficiary demand that might arise due to unexpected circumstances.

The General Fund Reserve - unrestricted fund, corresponding to the sums accumulated from historical surpluses of income over expenditure, which the Trustees are free to use in accordance with the charitable objects of the Trust. The appropriate level of the reserve is reviewed by the Trustees annually.

Property Reserve Fund - a fund set up to support the investment in Andrew Carnegie House which is jointly owned and occupied with the other UK-based Carnegie Trusts.

The Endowment Fund - the original endowment, together with surpluses and deficits to date, and larger unrestricted legacies received.

## Investment policy and performance

The Trustees' investment powers are governed by the Royal Charter, which permits them to invest in a broad range of investments issued by any government or municipal or public authority authorised to borrow money or any company with limited liability, and to invest in property in Scotland, England, Wales, and Northern Ireland.

The objective agreed with the Trust's investment managers is to achieve real growth in both income and capital, within the investment guidelines in respect of type of investment and asset allocation contained within the discretionary management agreement with the investment managers. The current risk guidelines agreed are that there will be a minimum of 50 holdings, none of which may represent more than 10% of the net asset value of the fund; that the ten largest holdings of the fund will represent no more than 60% of the net asset value of the fund; and that no single stock should account for more than 4% of the forecast income for the fund. The asset allocation guidelines set by the investment committee in October 2021 removed any limit on the allocation to overseas equities and are as follows:

	Permitted Range
UK Equities	0-100%
Overseas equities	0-100%
Bonds/ Cash	0-25%

Within these restrictions, the asset allocations depend on the Investment Managers' requirement to maintain or grow the income in real terms. The types of investment permitted include UK equities, convertibles, preference shares, UK and European fixed interest securities, unit trusts and investment trusts. Underwriting or sub-underwriting of issues or offers for sale of securities is permitted but the funds may not, without permission of the Trust, include securities where an issue or offer for sale was underwritten, managed or arranged within the previous twelve months by the investment managers. The Investment Managers may not invest the Fund directly in securities issued by tobacco companies. At their Board meeting on 6 October 2023, the Trustees agreed the following policy on fossil fuels:

1. The investment portfolio currently excludes companies with significant thermal coal mining involvement;
2. Our intention is to divest from all fossil fuel companies as soon as is practicable;
3. The process and timing of this divestment will be agreed once permission for Total Return has been granted.

The Investment Committee meets three times annually with the investment managers to review reports on performance and to monitor the strategy for investments in respect of business and portfolio risk. As part of this, the investment managers report on their internal compliance and risk management procedures.

## Total Return Policy

Our primary risks are the health of the endowment and the amount of income it yields. In order to manage this, modern charities use a power to distribute on a total return basis in order to take into account both investment income and capital gain. Having received reports from an Investment & Disbursement Policy Working Group and a Charter Amendment Working Group, at their meeting on May 2023, the Trustees resolved to seek permission from the Privy Council to update the Charter to include the power to distribute on a Total Return basis, in line with current best practice in the management of charity endowments. The relevant paperwork was submitted to the Privy Council on 30 July 2023 and in principle permission to proceed was granted in October. The

Trustees called a special meeting under Section 33 of the Charter on 22 November to agree this change. The formal paperwork has now been submitted and we hope this will receive approval from Privy Council in early course. Our Investment Managers stand ready to implement this change as soon as formal permission has been granted. At its meeting in August, the Investment Committee resolved to recommend to the Board a draw-down rate of 3.5% once a Total Return power is in place, and this was approved by the Board on 6 October 2023.

## Going concern

The Trustees have considered the Trust’s reserves and cash position and the expected income over the next 12 months and consider that it is appropriate to prepare the financial statements on a going concern basis.

## Risk Management

The Trustees regularly consider the major strategic, business and operational risks which the Trust faces. The Audit and Risk Committee, reporting to the Board, oversees formal risk assessment and risk management. The staff team manage the risk register operationally, which has been comprehensively reviewed in 2023. The Audit and Risk Committee review the risk register at their meetings, reporting at each Board Meeting. Trustees assess the actions necessary to mitigate risks which are built into the workplan for the following year. The remit of the Audit and Risk Committee also includes keeping under review the effectiveness of internal control and risk management systems of the Trust, and the statement of delegations to staff which has just been reviewed. The Trustees believe that the existing systems and the structure of decision taking and reporting through senior staff continue to provide assurance that risks are assessed and carefully managed.

The risk register includes a heat map to prioritise key risks and the mitigations that are in place to manage them. The Trust’s red and amber risks are:

1	Failure to maintain/grow the real value of the endowment
2	Insufficient income to cover existing financial commitments and deliver the Trust’s strategic priorities
3	Loss or absence of key staff adversely impacting delivery and compliance of Trust operations
4	IT systems failure resulting in interrupted operation or loss of data
5	Data breaches resulting in GDPR fines
6	Health & Safety failure resulting in a significant liability

# Trustees and Committees

## Members of the Board

**Ronnie Bowie** BSc FFA FRSE. *Chair since May 2022.*

**Professor George Boyne** MA MLitt PhD, FAcSS FRSE. *Trustee since August 2018.*

**Dr Mary Duffy** BSc PGCert MSc DPhil. *Trustee since November 2021.*

**Dr Alison Fielding** BSc, MSc, MBA. *Trustee May 2016 - May 2023.*

**The Rt Hon Lord Eassie (Ronald D Mackay).** *Trustee since May 2016.*

**Graeme Johnston** *Trustee since February 2023.*

**Professor Dame Sally Mapstone** MA DPhil FRSE. *Trustee September 2016 - May 2023, Vice-Chair 2019 - May 2023.*

**Dr Bridget McConnell** CBE. *Trustee since May 2020*

**Professor Sir Gerry McCormac** BSc (Hons) PhD FRSE FSA FRSA FHEA. *Trustee May 2022 - October 2023.*

**Alan McFarlane,** *Trustee May 2020 - February 2023.*

**Professor James A Miller** PhD MBA. BSc (Hons) RGN, FRSM, FRSE. *Trustee since May 2023.*

**Professor Andrea Nolan** OBE MVB DVA PhD DiplECVA DipECVPT FRCVS FRSE. *Trustee since July 2013. Vice-Chair since May 2023.*

**Sara Parkin** OBE. *Trustee March 2016 - May 2023.*

**Ray Perman** BA MBA FRSE. *Trustee since February 2019.*

**Dr Claire Swan** MA(Hons) MPhil *Trustee since February 2023.*

**Dr Alexandra Walker** MSci. *Trustee since May 2023*

**Professor Richard A. Williams** OBE FREng FTSE FRSE. *Trustee since February 2023.*

## Investment Committee

Graeme Johnson, Chair (since February 2023)

Alan McFarlane, Chair (until February 2023)

Mr Ronnie Bowie

Mr Ray Perman

Sarah Whitley *co-opted*

Robert Waugh *co-opted* (since June 2023)

## Audit Committee

Lord Eassie, Chair

Dr Alison Fielding (until May 2023)

Prof James Miller (since May 2023)

Prof Andrea Nolan (until May 2023)

Dr Alexandra Walker (since May 2023)

Graeme Cullen, *co-opted* (since June 2023)

## Nominations and Remuneration Committee

Mr Ronnie Bowie

Dr Mary Duffy

Professor Sally Mapstone (until May 2023)

Professor Andrea Nolan (since May 2023)

Mr Ray Perman

## Members of Staff

### Secretary and Treasurer

Professor Andy Walker BA MSc PhD FInstP FRSE (until June 2023)

### Interim CEO

Canon Dr Eve Poole OBE BA MBA FRSA (since May 2023)

### Director of Programmes

Dr Patricia Krus MA

### Bursar

Kate Ellis BSc FCA DChA (until December 2022)

## **Bursar**

Elizabeth Eckles MA (Oxon) MSc ACA  
(September 2022 – December 2023)

## **Grants Officer**

Dr John Thompson

## **Administrator**

Sarah Huxtable BA (Hons)

## **Auditors**

Henderson Loggie LLP, 11-15 Thistle Street,  
Edinburgh EH2 1DF

## **Bankers**

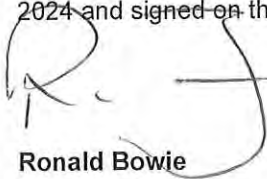
Lloyds Banking Group plc, Henry Duncan  
House, 120 George Street, Edinburgh EH2  
4TS

## **Investment Managers**

Rathbone Investment Management Ltd,  
10 George St, Edinburgh EH2 2PF

Copies of the Royal Charter and of its By-  
Laws may be obtained from the Secretary of  
the Trust on payment of a reasonable charge.  
The charity registration number of the Trust is  
SC 015600

The Trustees report on pages 3 to 14 was  
approved by the Trustees on 16 February  
2024 and signed on their behalf,



**Ronald Bowie**  
Chair



## Opinion

We have audited the financial statements of The Carnegie Trust for the Universities of Scotland (the 'charity') for the year ended 30<sup>th</sup> September 2023 which 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 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 30<sup>th</sup> September 2023, and of its 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 International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor 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 FRC'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

In auditing the financial statements, we have concluded that the trustees' 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 charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

## Other information

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

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 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.

### **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 requires 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 Trustees**

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements which 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.

### **Auditor 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 regulations made under that Act.

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.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of noncompliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

As part of our planning process:

- We enquired of management the systems and controls the charity has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. Management informed us that there were no instances of known, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks applicable to the charity. We determined that the following were most relevant: employment law (including the Working Time Directive) and compliance with Scottish charity legislation,
- We considered the incentives and opportunities that exist in the charity, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly; and
- Using our knowledge of the charity, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Inquiry of management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of board meetings;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to PhD support provisions; and

- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Owing to the inherent limitations of an audit, there is unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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. Our audit work has been undertaken so that we might state to the charity's Trustees 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.



23 February 2024

#### **Henderson Loggie LLP**

*Chartered Accountants & Statutory Auditor*

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

11-15 Thistle Street, Edinburgh  
EH2 1DF

# ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

## STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 30<sup>th</sup> September 2023

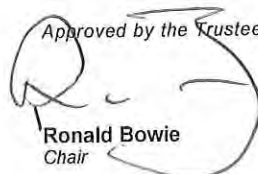
	Note	Unrestricted funds	Restricted funds	Endowment Funds	2023 Total	2022 Total
		£		£	£	£
<b>Income from</b>						
<b>Investments</b>	2					
Dividends and interest on investments		2,505,778	-	-	2,505,778	2,873,722
Bank deposit interest		68,689	-	-	68,689	2,285
		<b>2,574,467</b>	<b>-</b>	<b>-</b>	<b>2,574,467</b>	<b>2,876,007</b>
<b>Donations and legacies</b>						
Other income		10,558	-	-	10,558	7,245
Legacies		10,463	-	-	10,463	5,000
Grants received		-	-	-	-	-
<b>Total income</b>	2	<b>2,595,488</b>	<b>-</b>	<b>-</b>	<b>2,595,488</b>	<b>2,888,252</b>
<b>Expenditure on</b>	3					
<b>Raising funds</b> - investment management fees		220,983	-	-	220,983	229,617
<b>Charitable activities</b>		2,139,436	8,900	-	2,148,336	2,127,731
<b>Total expenditure</b>	3	<b>2,360,419</b>	<b>8,900</b>	<b>-</b>	<b>2,369,319</b>	<b>2,357,348</b>
<b>Net gains/(losses) on investments</b>		-	-	1,319,837	1,319,837	(4,209,045)
<b>Net income/(expenditure)</b>		<b>235,069</b>	<b>(8,900)</b>	<b>1,319,837</b>	<b>1,546,006</b>	<b>(3,678,141)</b>
<b>Reconciliation of funds</b>						
Total funds brought forward at 1 October 2022		996,584	61,000	70,791,993	71,849,577	75,527,718
<b>Total funds carried forward at 30 September 2023</b>		<b>1,231,653</b>	<b>52,100</b>	<b>72,111,830</b>	<b>73,395,583</b>	<b>71,849,577</b>

All of the above results are derived from continuing activities.

**BALANCE SHEET**As at 30<sup>th</sup> September 2023

	Note	£	2023 £	£	2022 £
<b>Fixed assets</b>					
Tangible Assets:					
Andrew Carnegie House and contents	7		447,143		461,605
Investments					
At market value	8		72,111,830		70,791,993
<b>Total fixed assets</b>			<u>72,558,973</u>		<u>71,253,598</u>
<b>Current assets</b>					
Accrued income from investments		216,697		154,952	
Other debtors and prepayments		183,469		147,121	
Cash at bank and in hand		3,597,364		3,896,513	
		<u>3,997,530</u>		<u>4,198,586</u>	
<b>Current liabilities</b>					
Amounts due within one year					
Grants awarded		(496,852)		(1,123,444)	
Accrued expenses of administration		(148,619)		(94,117)	
		<u>(645,471)</u>		<u>(1,217,561)</u>	
			3,352,059		2,981,025
<b>Net Current assets</b>			75,911,032		74,234,623
<b>Total assets less current liabilities</b>					
<b>Creditors due after one year</b>					
Grants awarded			(484,824)		(50,305)
Provision for scholarship costs	9		(2,030,625)		(2,334,741)
<b>NET ASSETS</b>			<u>73,395,583</u>		<u>71,849,577</u>
<b>Represented by</b>					
			72,111,830		70,791,993
<b>Endowment Funds</b>					
<i>Restricted funds</i>					
Nairn Fund		52,100		61,000	
			52,100		61,000
<i>Unrestricted funds</i>					
General fund		798,560		550,297	
Property reserve fund		433,093		446,287	
			<u>1,231,653</u>		<u>996,584</u>
<b>TOTAL FUNDS</b>	10		<u>73,395,583</u>		<u>71,849,577</u>

Approved by the Trustees on 16 February 2024 and signed on their behalf,



Ronald Bowie  
Chair

## CASH FLOW STATEMENT

For the year ended 30<sup>th</sup> September 2023

	Unrestricted Funds	Restricted Funds	Endowment Funds	2023 Total	2022 Total
	£	£	£	£	£
<b>Cash flows from operating activities</b>					
<b>Net income/ (expenditure)</b>	<b>235,069</b>	<b>(8,900)</b>	<b>1,319,837</b>	<b>1,546,006</b>	(3,678,141)
Depreciation	18,654	-	-	18,654	18,070
(Gains)/losses on investments	-	-	(1,319,837)	(1,319,837)	4,209,045
(Increase)/decrease in debtors	(98,093)	-	-	(98,093)	(73,682)
(Decrease)/increase in creditors	(137,571)	-	-	(137,571)	(614,364)
(Decrease) in provision for scholarships	(304,116)	-	-	(304,116)	(60,279)
<b>Net cash provided (used in)/ by operating activities</b>	<b>(286,057)</b>	<b>(8,900)</b>	<b>-</b>	<b>(294,957)</b>	(199,351)
<b>Cash flows from investing activities</b>					
Purchase of fixed assets	(4,192)	-	-	(4,192)	(1,255)
Payments to acquire investments	-	-	(9,610,079)	(9,610,079)	(12,783,876)
Proceeds from sale of investments	-	-	7,847,107	7,847,107	14,250,458
Decrease / (increase) in cash in investment portfolio	-	-	1,762,972	1,762,972	(1,446,582)
<b>Net cash provided used in investing activities</b>	<b>(4,192)</b>	<b>-</b>	<b>-</b>	<b>(4,192)</b>	(1,255)
<b>Change in cash for the year</b>	<b>(290,249)</b>	<b>(8,900)</b>	<b>-</b>	<b>(299,149)</b>	(200,606)
<b>Cash at bank and in hand at 1 October 2022</b>	<b>3,835,513</b>	<b>61,000</b>	<b>-</b>	<b>3,896,513</b>	4,097,119
<b>Cash at bank and in hand at 30 September 2023</b>	<b>3,545,264</b>	<b>52,100</b>	<b>-</b>	<b>3,597,364</b>	3,896,513

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30<sup>th</sup> September 2023

#### 1 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimated uncertainty in the preparation of the financial statements of the Trust are set out below.

**(a) Basis of preparation-** The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (Charities SORP (FRS102)) applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS102), with FRS102, and with the Charities and Trustee Investment (Scotland) Act 2005 and the Charity Accounts (Scotland) Regulations 2006 (as amended). Under FRS102 the Trust is classified as a public benefit entity.

The financial statements comprise three primary financial statements: the statement of financial activities, which incorporates the income and expenditure account, the balance sheet and the statement of cash flows.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of UK listed investments, in £ sterling which is the functional currency of the entity.

In preparing the financial statements, the Trustees are required to make judgements, estimates and assumptions, which may affect reported income, expenses, assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from such estimates. Judgements made in preparing these financial statements comprise:

- The applicability of the estimated useful lives of fixed assets used to calculate the period over which depreciation is applied.
- The review of fixed assets for impairment or obsolescence.
- The calculation of the provision for scholarship costs based on the estimated total cost of the scholarship at the time of award, which will include estimation of future fee and stipend levels.
- The assessment of leases to determine whether the risks and rewards of ownership remain with the lessor or are transferred to the Trust.

**(b) Going concern** - The Trustees have reviewed the Trust's long-term forecast, current cash position and the expected income for the next twelve months, and have identified no material uncertainty. The Trustees consider that it is appropriate to prepare the financial statements on a going concern basis.

**(c) Fixed Assets and Depreciation** - Expenditure on heritable property and on contents is recorded as capital expenditure. Depreciation is provided to write off the cost of fixed assets, with the exception of land which is not depreciated, over their estimated useful lives on a straight-line basis as follows:

Buildings	2%
Furniture, fixtures and fittings	5-25%
Computers	25%
Plant and Equipment	5-10%

**(d) Investments** - Investments comprising listed investments are stated at fair value and measured as market value at the balance sheet date. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

**(e) Debtors**-Debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

**(f) Cash**-Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar.

**(g) Creditors and provisions** Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in a transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount.

## NOTES TO THE FINANCIAL STATEMENTS

**(h) Income-** Income is recognised when the Trust has entitlement to the funds, it is probable that the income will be received, and the amount can be measured reliably.

**Investment income** is accounted for in the year in which the Trust is entitled to receipt.

**Legacies and donations** - Larger legacies of a non-recurring nature are normally credited to the Endowment fund in the year. Other legacies and donations, on a scale commensurate with students' fees advanced in earlier years, are included in Clause B income. Where legacies and donations are received for a specific purpose with an instruction or permission to expend the capital, these are taken to restricted funds

**(i) Expenditure** - Liabilities are recognised as soon as there is a legal or constructive obligation committing the Trust to the expenditure. Expenditure is accounted for on an accruals basis.

- **Raising Funds** – Costs comprise fees paid to investment managers and are charged against income of the general fund
- **Charitable activities** - Costs of charitable activities include grants made and overhead and support costs as shown in Note 5. Grants payable are charged when approved by the Trustees except where approval is subject to subsequent fulfilment of conditions. By the Royal Charter, one half of the net income is to be applied to the improvement and expansion of the Universities of Scotland (Clause A) and one half to the payment of fees for qualifying Scottish students in respect of courses leading to a degree at a Scottish University (Clause B). The Trustees have discretion to transfer unexpended surplus income under Clause B, firstly to Clause A objectives, and then to purposes that would further the usefulness of the Universities.
- **Provision for scholarship costs** – Postgraduate scholarships are awarded for a duration of 36 or 42 months subject to satisfactory progress being made. Provision is made for the outstanding future costs estimated to be payable for all scholars in post and awarded during the financial year. The Trust also administers the appointments of one or two scholars per annum as an agent for the RSE Scotland Foundation (CRF fund) and the Royal Society of Edinburgh (Dryerre Fund) and the income and expenditure for these appointments is not included in the Statement of Financial Activities. The provision is discounted to reflect cost of living increases.

**(j) Employee benefits** – Since 1 August 2015 eligible employees have been auto-enrolled in a workplace pension scheme. Currently, Smart Pension is the auto-enrolment scheme and employees were re-enrolled on 1 September 2021. For one existing employee who opted out of the scheme, contributions are paid to a personal pension plan. Total pension contributions included in support costs amounted to £17,380 (2022 14,204).

### **(k) Fund accounting**

The General Reserve is an unrestricted fund which the Trustees are free to use in accordance with the charitable objects of the Trust.

#### Designated Funds

Property Reserve fund - a fund set up to support the investment in Andrew Carnegie House which is jointly owned and occupied with the other UK based Carnegie Trusts.

#### Restricted Funds

COVID-19 Student Support Appeal -The funds raised to supplement Study Support Grants were all utilised in the year ended 30 September 2021.

Nairn Fund – a donation received to be expended on meeting living costs for students receiving Undergraduate Tuition Fee Grants.

Endowment Fund - the original endowment of the Trust as augmented by net surpluses, together with the larger legacies received. The income from the fund, less costs of management, is treated as unrestricted income in line with the terms of the Royal Charter. Transfers to and from General Reserve are made each year to bring the Endowment Fund into balance with the value of its net assets.

### **(l) Financial instruments**

The Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.



## NOTES TO THE FINANCIAL STATEMENTS

## 2. Income

	General Fund	Property Reserve Fund	Restricted Fund	Endowment Fund	Total
Year ended 30 September 2023	£	£	£	£	£
<b>Investments</b>					
Dividends and interest on investments	2,505,778	-	-	-	2,505,778
Bank deposit interest	68,689	-	-	-	68,689
	<b>2,574,467</b>	-	-	-	<b>2,574,467</b>
<b>Donations and legacies</b>	<b>21,021</b>	-	-	-	<b>21,021</b>
<b>Total income 2023</b>	<b>2,595,488</b>	-	-	-	<b>2,595,488</b>
Year ended 30 September 2022	£	£	£	£	£
<b>Investments</b>					
Dividends and interest on investments	2,873,722	-	-	-	2,873,722
Bank deposit interest	2,285	-	-	-	2,285
	<b>2,876,007</b>	-	-	-	<b>2,876,007</b>
<b>Donations and legacies</b>	<b>12,245</b>	-	-	-	<b>12,245</b>
<b>Total income 2022</b>	<b>2,888,252</b>	-	-	-	<b>2,888,252</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 3. Expenditure

	Notes	General Fund	Property Reserve Fund	Restricted Fund	Endowment Fund	Total
<b>Year ended 30 September 2023</b>		£	£	£	£	£
<b>Raising Funds -</b>		<b>220,983</b>	-	-	-	<b>220,983</b>
Investment management and fundraising fees						
<b>Charitable Activities</b>						
Grants awarded						
Clause A	5	1,224,099	-	-	-	1,224,099
Clause B	5	482,327	-	-	-	482,327
Nairn Fund		-	-	8,900	-	8,900
Wider Carnegie activities (Medals of Philanthropy)		6,657	-	-	-	6,657
Support costs	4	413,159	13,194	-	-	426,353
<b>Total charitable activities</b>		<b>2,126,242</b>	<b>13,194</b>	<b>8,900</b>	-	<b>2,148,336</b>
<b>Total expenditure 2023</b>		<b>2,347,225</b>	<b>13,194</b>	<b>8,900</b>	-	<b>2,369,319</b>
<b>Year ended 30 September 2022</b>		£	£	£	£	£
<b>Raising Funds -</b>		<b>229,617</b>	-	-	-	<b>229,617</b>
Investment management and fundraising fees						
<b>Charitable Activities</b>						
<b>Charitable Activities</b>						
Grants awarded						
Clause A	5	1,313,253	-	-	-	1,313,253
Clause B	5	458,255	-	-	-	458,255
Nairn Fund		-	-	17,150	-	17,150
Wider Carnegie activities (Medals of Philanthropy)		2,784	-	-	-	2,784
Support costs	4	323,095	13,194	-	-	336,289
<b>Total charitable activities</b>		<b>2,097,387</b>	<b>13,194</b>	<b>17,150</b>	-	<b>2,127,731</b>
<b>Total expenditure 2022</b>		<b>2,327,004</b>	<b>13,194</b>	<b>17,150</b>	-	<b>2,357,348</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 4. Support costs

	2023	2022
	£	£
Salaries and pension (Note 6)	<b>264,756</b>	243,354
Staff training, temporary staff and other costs	<b>10,676</b>	3,793
Scheme evaluation	<b>49,080</b>	-
Rates and insurance	<b>5,402</b>	4,713
Heating, lighting and cleaning	<b>8,023</b>	6,919
Upkeep of premises and equipment	<b>6,195</b>	2,875
Computer maintenance and support	<b>26,719</b>	14,926
Computer development	<b>1,585</b>	14,232
PR & promotion	<b>3,321</b>	1,345
Printing and stationery	<b>1,730</b>	1,850
Postages and telephones	<b>2,232</b>	1,571
Travel and subsistence	<b>107</b>	230
Legal and professional fees	<b>3,300</b>	10,465
Meeting costs	<b>3,622</b>	4,424
Miscellaneous	<b>4,339</b>	(1,178)
<i>Fees paid to Auditor:</i>		
Audit services	<b>10,312</b>	8,700
Accounts preparation	<b>6,300</b>	-
	<b>407,699</b>	318,219
Depreciation		
Andrew Carnegie House	<b>13,194</b>	13,194
Other fixed assets	<b>5,460</b>	4,876
	<b>426,353</b>	336,289

Support costs are the central costs incurred directly in support of expenditure on the objects of the Trust. Governance costs comprise all costs involving the public accountability of the Trust and its compliance with regulation and good practice. These costs include statutory audit and legal fees together with costs of meetings of the Trustees and committees.

Total attributable to governance costs	<b>79,610</b>	57,828
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## NOTES TO THE FINANCIAL STATEMENTS

## 5. Clause A and Clause B analysis

		2023		2022	
		Clause A	Clause B	Clause A	Clause B
		£	£	£	£
<b>INCOME</b>					
Unrestricted income	2	2,574,467			
Investment management costs	3	(220,983)			
Net annual income		<u>2,353,484</u>	<u>1,176,742</u>	<u>1,176,742</u>	1,323,195
Legacies and students' fees repaid		-	21,021	-	12,245
<b>Net income available for grant making</b>			<u>1,176,742</u>	<u>1,197,763</u>	1,323,195
					1,335,440
<b>EXPENDITURE</b>					
Research Incentive Grants awarded/ (underspend)		422,092	-	(81,699)	-
PhD Scholarships		826,697	-	1,113,094	-
PhD scholars' development programme		-	-	24,004	-
Research workshops		(27,462)	-	36,200	-
Vacation Scholarship grants		(4,849)	-	211,019	-
Vacation Scholarship event		-	-	10,635	-
Scholar day costs		7,621	-	-	-
Undergraduate Tuition Fee Grants		-	463,577	-	430,405
Study Support Grants		-	18,750	-	27,850
		<u>1,224,099</u>	<u>482,327</u>	1,313,253	458,255
Support costs of grant making		206,580	206,579	161,548	161,547
		<u>1,430,679</u>	<u>688,906</u>	1,474,801	619,802
<b>CLAUSE A AND CLAUSE B SURPLUS INCOME/(EXPENDITURE)</b>		<b>(253,937)</b>	<b>508,857</b>	(151,606)	715,638
			<b>(253,937)</b>		(151,606)
Wider Carnegie Activities (Medals of Philanthropy)			<u>(6,657)</u>		<u>(2,784)</u>
<b>Net incoming resources on general fund</b>			<u>248,263</u>		<u>561,248</u>

In terms of Clause A of the Royal Charter, one half of the net annual income shall be applied towards the improvement and expansion of the Universities of Scotland; under Clause B the other half of the income, or such part thereof as in each year may be found requisite, shall be devoted to assistance with fees eligible by the Universities. Any surplus income which may remain after satisfying the requirements under Clause A and B shall be at the disposal of the Trustees.

Details of the numbers of grants awarded are set out in the Achievement & Performance report on pages 8-9. All grants are awards to individuals, but mainly payable to their institutions.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Salaries and pension

	2023	2022
	No.	No.
Average number employed, including part-time employees	<u>5</u>	<u>5</u>
	£	£
Wages and salaries	<b>242,152</b>	222,410
Social security costs	<b>21,317</b>	20,375
Pension costs	<b>17,380</b>	14,204
Total emoluments of employees	<b>280,849</b>	256,989
Less reimbursed by co-owners of building	<b>(16,093)</b>	(13,635)
	<b>264,756</b>	243,354

Key management are considered to be the Trust Secretary until June 2023 and the Interim CEO from May 2023. Key management remuneration in the year totalled £103,153 (including pension contributions) (2022 - £89,607).

One employee received remuneration in the band £70,000 - £80,000 (2022 – one £70,000-£80,000). As at 30 September 2023 there were outstanding pension costs of £3,246 (2022 - £2,396).

### 7. Fixed assets

	Andrew Carnegie House (25% shares)	Contents	Total
	£	£	£
Cost at 1 October 2022	652,400	102,206	754,606
Additions	-	4,192	4,192
Disposals	-	-	-
Cost at 30 September 2023	<b>652,400</b>	<b>106,398</b>	<b>758,798</b>
	206,113	86,888	293,001
Depreciation at 1 October 2022	-	-	-
Disposals	-	-	-
Charge for year	13,194	5,460	18,654
Depreciation at 30 September 2023	<b>219,307</b>	<b>92,348</b>	<b>311,655</b>
Book value at 30 September 2023	<b>433,093</b>	<b>14,050</b>	<b>447,143</b>
Book value at 30 September 2022	446,287	15,318	461,605

Andrew Carnegie House assets include £62,500 of land that is not depreciated.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Investments

	UK equities	Overseas Equities	Fixed Interest	Cash & Deposits	Settlements Outstanding	Total
	£	£	£	£	£	£
Fair value at 1 October 2022	35,887,592	32,687,834	-	1,829,460	387,107	70,791,993
Purchases	8,016,813	1,989,437	-	(9,619,143)	(387,107)	-
Sales proceeds	(4,151,609)	(3,695,498)	-	7,847,107	-	-
Exchange gain/ (loss)	-	-	-	9,064	-	9,064
Realised gain/ (loss) on sale	53,744	(12,569)	-	-	-	41,175
Unrealised gain/ (loss)	476,898	792,700	-	-	-	1,269,598
<b>Fair value at 30 September 2023</b>	<b>40,283,438</b>	<b>31,761,904</b>	<b>-</b>	<b>66,488</b>	<b>-</b>	<b>72,111,830</b>

The historical cost of UK Listed investments was £35,856,755 (2022-£31,649,778).

### 9. Provision for scholarship cost

	2018 and earlier	2019	2020	2021	2022	2023	Total
	£	£	£	£	£		£
Brought forward at 1 October 2022	26,627	242,657	360,220	650,479	1,054,758	-	2,334,741
Provision made for awards in year	-	-	-	-	-	821,600	821,600
Payments in the year	(26,627)	(205,827)	(225,938)	(306,937)	(289,734)	-	(1,055,063)
Discount	-	(947)	(1,538)	(2,210)	(28,675)	(37,283)	(70,653)
<b>Provision carried forward at 30 September 2023</b>	<b>-</b>	<b>35,883</b>	<b>132,744</b>	<b>341,332</b>	<b>736,349</b>	<b>784,317</b>	<b>2,030,625</b>

	Payable within 1	Payable 2-5 years	Total
	£	£	£
Scholars appointed 2019	18,807	17,076	35,883
Scholars appointed 2020	108,424	24,320	132,744
Scholars appointed 2021	292,223	49,109	341,332
Scholars appointed 2022	326,870	409,479	736,349
Scholars appointed 2023	249,060	535,257	784,317
<b>Total</b>	<b>995,384</b>	<b>1,035,241</b>	<b>2,030,625</b>

## 10. Movements on funds 2023

	Unrestricted funds			Restricted Funds	Endowment Funds	Total funds
	General Fund	Property Reserve Fund	Total Unrestricted Funds			
	£	£	£			
At 1 October 2022	<b>550,297</b>	<b>446,287</b>	<b>996,584</b>	<b>61,000</b>	<b>70,791,993</b>	<b>71,849,577</b>
Incoming resources	2,595,488	-	2,595,488	-	-	<b>2,595,488</b>
Outgoing resources	(2,347,225)	(13,194)	(2,360,419)	(8,900)	-	<b>(2,369,319)</b>
Net operating result	248,263	(13,194)	235,069	(8,900)	-	<b>226,169</b>
Gains and losses	-	-	-	-	1,319,837	<b>1,319,837</b>
At 30 September 2023	<b>798,560</b>	<b>433,093</b>	<b>1,231,653</b>	<b>52,100</b>	<b>72,111,830</b>	<b>73,395,583</b>
Analysis of funds						
Fixed assets	14,050	433,093	447,143	-	-	<b>447,143</b>
Investments	-	-	-	-	72,111,830	<b>72,111,830</b>
Net current assets	3,299,959	-	3,299,959	52,100	-	<b>3,352,059</b>
Creditors over one year	(484,824)	-	(484,824)	-	-	<b>(484,824)</b>
Provision	(2,030,625)	-	(2,030,625)	-	-	<b>(2,030,625)</b>
	<b>798,560</b>	<b>433,093</b>	<b>1,231,653</b>	<b>52,100</b>	<b>72,111,830</b>	<b>73,395,583</b>

## 2022

	Unrestricted funds			Restricted Funds	Endowment Funds	Total funds
	General Fund	Property Reserve Fund	Total Unrestricted Funds			
	£	£	£			
At 1 October 2021 (restated)	(10,951)	459,481	448,530	78,150	75,001,038	<b>75,527,718</b>
Incoming resources	2,888,252	-	2,888,252	-	-	<b>2,888,252</b>
Outgoing resources	(2,327,004)	(13,194)	(2,340,198)	(17,150)	-	<b>(2,357,348)</b>
Net operating result	561,248	(13,194)	548,054	(17,150)	-	<b>530,904</b>
Gains and losses	-	-	-	-	(4,209,045)	<b>(4,209,045)</b>
At 30 September 2022	<b>550,297</b>	<b>446,287</b>	<b>996,584</b>	<b>61,000</b>	<b>70,791,993</b>	<b>71,849,577</b>
Analysis of funds						
Fixed assets	15,318	446,287	461,605	-	-	<b>461,605</b>
Investments	-	-	-	-	70,791,993	<b>70,791,993</b>
Net current assets	2,920,025	-	2,920,025	61,000	-	<b>2,981,025</b>
Creditors over one year	(50,305)	-	(50,305)	-	-	<b>(50,305)</b>
Provision	(2,334,741)	-	(2,334,741)	-	-	<b>(2,334,741)</b>
	<b>550,297</b>	<b>446,287</b>	<b>996,584</b>	<b>61,000</b>	<b>70,791,993</b>	<b>71,849,577</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Financial instruments

The carrying values of financial instruments as defined by the accounting standards are as follows:

	2023 £	2022 £
Financial assets		
<i>Investments at fair value through income &amp; expenditure</i>		
Listed investments	<b>72,111,830</b>	70,791,993

FRS 102 requires the disclosure of information in relation to investment risks, which is set out below:

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market risk:** this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes.
- **In market prices (other than those arising from interest rate risk or currency risk),** whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trust has exposure to these risks because of the investments it makes to implement its investment strategy .

The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Trust's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Trust's investment managers and monitored by the Investment Committee by regular reviews of the investment portfolios.

**Credit Risk** – the Trust is directly exposed to credit risk in relation to the fixed interest investments and cash deposits held. Direct credit risk is mitigated by policy restrictions on the grade of investment held.

**Currency risk** – the Trust is subject to currency risk because some of the Trust's investments are held in overseas markets.

**Interest rate risk** – the Trust is subject to interest rate risk through investments in bonds.

**Other price risk** – Other price risk arises principally in relation to direct equity holdings. The Trust manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

### 12. Financial commitments – operating leases

The financial commitment at 30<sup>th</sup> September 2023 in respect of operating leases for printing and copying equipment was £1,723 (£626 payable in less than one year and £1,097 payable within two to five years) (2022: £2,349).

### 13. Transactions with related parties

- (a) **Trustees** – No Trustee received any payments other than reimbursements of expenditure on travel and subsistence costs actually and necessarily incurred in carrying out their duties. The aggregate of such reimbursements, including payments on behalf of trustees, was £nil (2022 £nil).
- (b) **Other related parties** – Professor Andrea Nolan is a director of Advance HE that provided services comprising a leadership course for PhD students at a cost of £21,187 during the year to 30<sup>th</sup> September 2022, including the Trust's membership fee. There were no such costs in the year to 30<sup>th</sup> September 2023.

### 14. Ultimate Controlling Party

The Trust is incorporated by Royal Charter and is controlled by its Trustees.