
MINUTE**Public**

**Shetland Charitable Trust
Council Chamber, Town Hall, Lerwick
Thursday 24 March 2011 at 10.00am**

Present:

W H Manson	L Angus
A T J Cooper	A T Doull
A G L Duncan	E L Fullerton
F B Grains	I J Hawkins
J H Henry	A J Hughson
C H J Miller	R C Nickerson
F A Robertson	G Robinson
J H Scott	J G Simpson
C L Smith	J W G Wills

Apologies:

L F Baisley	J Budge
A J Cluness	R S Henderson
V Nicolson	

In Attendance (Officers):

A Black, General Manager - SCT
J Goddard, Financial Controller - SCT
M Duncan, Grants Co-ordinator - SIC
L Adamson, Committee Officer - SIC
L Geddes, Committee Officer - SIC

Also:

A Priest, Viking Energy
D Thomson, Viking Energy
A Wishart, Viking Energy
D Craig, Lloyds Banking Group
H Inkster, Lloyds Banking Group
R Simon-Lewis, Lloyds Banking Group
B Cooper, Shetland Recreational Trust

Chairman:

W H Manson, Chairman of the Trust, presided.

Circular:

The circular calling the meeting was held as read.

Declarations of Interest:

Mr A T J Cooper and Mrs C H J Miller declared an interest as Directors of Viking Energy, and advised they would not be taking part in Agenda Item 1 (Viking Energy – Progress Report).

Mrs C H J Miller also declared an interest as a Director of SLAP.

Mr W H Manson declared an interest as a Director of Viking Energy, but advised that he would continue to chair during Agenda Item 1 (Viking Energy – Progress Report) as it was presented for information, not decision.

Mr J H Henry declared an interest as the Chairman of SLAP.

Mr G Robinson declared an interest in Agenda Item 2 (Asset Replacement – Shetland Recreational Trust: South Mainland and Scalloway Swimming Pool Roofs) as an employee of Shetland Recreational Trust. He advised that he would leave the meeting during discussion of this item. He also declared an interest in Agenda Item 8 (Wind to Heat – Project Update) as a Director of SHEAP, but advised that he would participate in the discussion as the item was being presented for information only.

Mr L Angus declared an interest in Agenda Item 1 (Viking Energy – Progress Report), but advised that he would remain in the meeting as the item was for information.

Mrs I J Hawkins declared an interest as a Director of SLAP.

Mr A G L Duncan declared an interest in Agenda Items 1 (Viking Energy – Progress Report), 7 (SLAP – Progress Report), and 8 (Wind to Heat – Project Update) as a Director of both SHEAP and SLAP. He also declared an interest in Agenda Item 12 (Art Therapy – Verbal Update).

Mr A T Doull declared an interest as a Director of SLAP.

Mr R C Nickerson declared an interest in Agenda Item 1 (Viking Energy – Progress Report), but advised he intended to stay in the meeting to listen to the discussion. He also declared an interest in Agenda Items 8 (Wind to Heat – Project Update) and 12 (Selection and Appointment of a Commercial Lawyer for the Shetland Charitable Trust Group) as a Director of SHEAP.

Mr C L Smith declared an interest in Agenda Item 1.

Minute:

The minute of the meeting held on 11 February 2011 was confirmed on the motion of Mr J H Scott, seconded by Mr J G Simpson.

13/11

Viking Energy – Progress Report

The Trust noted a report by the Financial Controller (Appendix 1).

Mr J H Scott referred to a Press Release recently issued by SCT that had contained a serious error - namely that it stated that SCT would raise part of the funds to develop the Viking Energy wind farm project. He pointed out that this had yet to be agreed by SCT, and

he moved that the Press Release be withdrawn and immediately corrected, with an apology issued to the public for this deception.

Mr G Robinson seconded.

The Chairman advised that the Press Release had been issued in error, and it would be corrected following the meeting.

The Chairman introduced the representatives from Lloyds Banking Group who would be giving a presentation to SCT in relation to UK onshore wind financing. He emphasised that the presentation was a generic presentation relating to onshore wind project finance as whilst the Lloyds Banking Group had expressed interest in the Viking Energy wind farm project, SCT had yet to make any financial decisions of this nature should the project go ahead.

Mr R Simon-Lewis then gave a PowerPoint presentation to Trustees (copy of slides attached as Appendix 1A) and answered questions from Trustees in relation to the presentation. Trustees noted the following:

- Security was project-specific and typical forms related to physical assets, underlying contracts and revenues created by the project. No security was required from sponsors.
- As illustrated on page 20 of the presentation, the Bank's share of the cost of debt had increased from around 32% to 38.5%. This was a result of a combination of things. The cost of funds to the bank had increased as the market had been relatively stable since 2006, and there was now a lot of competition. Since the financial crisis, banks were rebuilding their balance sheets, and the cost of debt had increased. However interest rates had come down so the net position was relatively similar.
- In terms of clarity and visibility, pricing would be made explicit through the term sheet. Projects were exposed to market movement, interest rates and fluctuations in exchange. However the project itself was not exposed. Should SCT choose to invest, its assets would be remote from the project. If something happened to the project, Lloyds Banking could not pursue the sponsors for more money.
- In terms of exact costs to SCT every month, should it invest, the cost would be defined up front. Revenue generation would pay for operation, maintenance etc. However there should be absolute clarity with regard to the cost to SCT on a monthly basis.
- Lloyds Banking had previously financed almost all forms of renewable energy. The cost of borrowing would be different from each bank, and would be higher if the loan term was longer.

- Lloyds Banking was not a gatekeeper in relation to EIB financing, but was a commercial peer group who had dialogue with EIB. EIB was a commercial bank owned by the European Governments, and sponsors of a project would have engagement and dialogue with them.

(Dr J W G Wills declared an interest as his son works for a subsidiary company of SSE, but was not involved with wind farms).

(Mr G Robinson left the meeting)

14/11

Asset Replacement – Shetland Recreational Trust: South Mainland and Scalloway Swimming Pool Roofs

The Trust considered a report by the General Manager (Appendix 2) and approved the recommendations contained therein on the motion of Mrs I J Hawkins, seconded by Mr C L Smith.

Mr B Cooper answered questions from Trustees, and Trustees noted the following:

- Until the roofs had been stripped, it was not possible to ascertain the exact cause of the deterioration, as there were a number of factors that could have caused it.
- The new roofs would be constructed using different materials, so the problem should not arise again.
- These two buildings were the only two SRT buildings affected by this particular problem, as the others had been constructed in a different manner.
- There were warranties in place, however there would be difficulties in enforcing these as the companies involved either no longer existed or had changed hands.

Mr R C Nickerson referred to paragraph 5.1 of the report, and requested that officers bring forward a report regarding reinstating the Planned Maintenance and Asset Replacement Reserves as he felt that there was a need to plan in advance and build up a fund for similar issues which may occur in the future. He also queried if it was still the intention to carry out an audit of assets.

The General Manager confirmed that each organisation funded by SCT had been asked to bring forward a five-year programme, and that these should be drawn up by July. She also confirmed that the Planned Maintenance and Asset Replacement Reserves scheme still existed, but that no funding had been ring-fenced following the stock market crash of 2000/01.

(Dr J W G Wills left the meeting)

The Financial Controller added that he would be writing a report over the summer relating to financial projections, with a view to setting a

financial strategy for the next three years. This would include a section on asset replacement.

(Mr A G L Duncan left the meeting and Mr G Robinson returned to the meeting)

15/11 **Shetland Development Trust Surplus: Application for Funding COPE Limited**

The Trust considered a report by the General Manager (Appendix 3) and on the motion of Mr L Angus, seconded by Mrs E L Fullerton, approved the recommendation contained therein.

16/11 **Risk Management – Annual Review**

The Trust considered a report by the General Manager (Appendix 4) and on the motion of Mr G Robinson, seconded by Mr J H Scott, approved the recommendation contained therein.

(Dr J W G Wills returned to the meeting)

17/11 **Review of Grant Aid Schemes: Community Development Grants and Community Support Grants**

The Trust considered a report by the General Manager (Appendix 5) and approved the recommendations contained therein on the motion of Mr J H Scott, seconded by Mrs C H J Miller.

(Mr A G L Duncan returned to the meeting)

In response to a query relating to the Protection of Vulnerable Groups (PVG) Scheme, the Grants Co-ordinator confirmed that funding for this was available through VAS, and it was intended to extend this to cover the PVG Scheme.

18/11 **Governance Review – Legal Advice**

The General Manager advised that there was no further update following the last meeting. The Legal Opinion was expected imminently, and a draft had been received which required a number of factual errors to be corrected. It would probably be necessary to call a special meeting of SCT, as the next scheduled meeting would not be held for two months.

19/11 **SLAP – Progress Report**

The Trust noted a report by the Financial Controller (Appendix 6).

It was requested that information be included in future to include SCT properties, and properties SCT takes some responsibility for in terms of planned maintenance. The Financial Controller agreed that this could be done.

20/11 **Wind to Heat – Project Update**

The Trust noted a report by the Financial Controller (Appendix 7).

In response to queries, the Financial Controller confirmed that SHEAP had received planning permission for the thermal store, to be

built this year, and that it was hoped to have the windmills in the planning process by April, with building commencing in 2012.

He also confirmed that £800,000 ERDF funding had been applied for towards infrastructure costs. There were still a few issues to address before the funding could be confirmed, but he was very hopeful that it would be confirmed as positive feedback had been received from the Scottish Government.

It was suggested that given the amount of money that SCT may invest in the Viking Energy wind farm project and other large projects, it would be appropriate for SCT to look at its future investment proposals in this context, in order that it did not proceed in a piecemeal fashion.

21/11

Fund Manager Transactions

The Trust noted a report by the Financial Controller (Appendix 8).

Dr J W G Wills enquired whether SCT was investing in any companies supplying arms to Libya, Bahrain or Saudi Arabia, or in the Tokyo Electric Power Company.

The Financial Controller advised that Trustees had chosen to hold units in investment vehicles, rather than shares, and these invested in the stock market as a whole.

Dr J W G Wills advised that he intended to raise this matter again at the next meeting.

22/11

Recommended Disbursements - Approvals

The Trust noted a report by the General Manager (Appendix 9).

23/11

Recommended Disbursements – Social Care

The Trust noted a report by the General Manager (Appendix 10).

In order to prevent the disclosure of exempt information, Mr W Manson moved, Mr C L Smith seconded, and the Trust resolved, in terms of the relevant Regulations, to exclude the public during consideration of the remaining items of business.

(The media and public left the meeting).

24/11

Selection and Appointment of a Commercial Lawyer for the Shetland Charitable Trust Group

The Trust considered a report by the Financial Controller and on the motion of Mr L Angus, seconded by Mrs C H J Miller, approved the recommendation contained therein.

(Mr A G L Duncan left the meeting)

25/11

Sums Due but Unpaid over One Month Old as at 28 February 2011

The Trust noted a report by the Financial Controller.

26/11

Art Therapy – Verbal Update

Trustees noted the update.

The meeting concluded at 11.30am.

CHAIRMAN