

General Manager: Dr Ann Black

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If calling please ask for
Mary Anderson
Direct Dial: 01595 744992

Our Ref: EMA/TA1/1
Your Ref:

Date: 20 May 2009

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Charitable Trust
Council Chamber, Town Hall, Lerwick
Thursday 28 May 2009 at 10.00am**

Apologies for absence should be notified to Lynne Geddes on 01595 744592, or to Jenna Johnson on 01595 744544.

Yours faithfully

(signed) Dr Ann Black
General Manager

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of Interest.
- (d) Confirm minute of meeting held on 26 March 2009, enclosed.

For Information

1. Progress Report on the Work of the Review Groups. Report enclosed.

For Decision

2. Christmas Grants 2006, 2007 and 2008 and HMRC. Report enclosed.
3. Christmas Grant to Pensioner/Disabled Persons – Recommendations of Review Group. Report enclosed.
4. Investing in the New Anderson High School – Decision in Principle. Report enclosed.
5. Budget Enhancements. Report enclosed.
6. Recommended Disbursements – Social Care. Report enclosed.
7. Trustee Allowances Update. Report enclosed.

For Information

8. Fund Management Annual Review 2008/09. Report enclosed.
9. Fund Manager Transactions. Report enclosed.
10. Management Accounts – Twelve Months Ended 31 March 2009. Report enclosed.
11. Recommended Disbursements – Approvals. Report enclosed.
12. Wind Up of SICCT 1976. Report enclosed.

The following items contain **exempt** information

For Information

13. Sums Due But Unpaid Over One Month Old as at 30 April 2009. Report enclosed.
14. Press Release - enclosed.

REPORT

To: Shetland Charitable Trust

28 May 2009

From: General Manager

Report: CT0905045

PROGRESS REPORT ON THE WORK OF THE REVIEW GROUPS

1. Introduction

- 1.1 The purpose of this report is to inform Trustees of the work undertaken to date by the three review groups. The short life working groups were established to report on the expenditure of the Trust, the Christmas Grant scheme, as well as the governance of the Trust.

2. Present Position

2.1 Shetland Charitable Trust Funded Bodies Review Group.

Trustees decided to set up a SCT funded bodies review group at a meeting on 2nd July 2008. This is a joint SCT, Shetland Islands Council working group, and includes officers and members from both bodies. It was tasked to review aspects of SCT expenditure with a view to identifying possible savings. The remit of this group was agreed at a meeting on 26 March 2009 (CT/20/09). The group has met four times and has divided the work into two phases. Firstly, it is looking at all activities and services where the SCT funding is over £500k. Once complete, then all expenditure under £500k will be looked at in detail.

The largest items of expenditure include the Christmas Grant Scheme, the Equalisation of Charges, as well as the funding given to the Shetland Recreational Trust, Shetland Amenity Trust and Shetland Arts Development Agency, and the administrative costs of SCT. The three large trusts are currently undertaking a self-review with a view to saving £500,000 collectively per year. The three trusts are due to report to the working group on Monday 6 July 2009. Work has begun on the Equalisation of Charges and should report back within a similar time-scale.

2.2 Christmas Grant Review Group

Trustees agreed to establish a short-life working group to discuss the future governance of SCT on 19 February 2009 (CT/07/09). The remit of this group was agreed on 26 March 2009 (CT/18/09). The Christmas Review group has met four times and the conclusions and recommendations of the group are presented in a concurrent report.

2.3 Shetland Charitable Trust Governance Review Group

Trustees agreed to establish a short-life working group to discuss the future governance of SCT on 19 February 2009 (CT/06/09). The remit of this group was agreed on 26 March 2009 (CT/19/09). The Governance Review Group has met four times, and has had wide ranging discussions on the need to, and requirements of change. Given the complexities of this subject, further work will be required, though the group is mindful of the required submission to the Office of the Scottish Charities Regulator on 1 July.

3. **Proposal**

3.1 Trustees are asked to note the content of this report and will receive separate reports for decision from each of the working groups on completion of the agreed work streams.

4. **Financial Implications**

4.1 This report has no direct financial implications.

5. **Recommendation**

5.1 This report is for information only.

Reference: AB/TA38

Report Number CT0905045-f

REPORT**To:** Shetland Charitable Trust

28 May 2009

From: Financial Controller


Report: CT0905033

Christmas Grants 2006, 2007 and 2008 and HMRC**1. Introduction**

- 1.1 This report suggests a proposed "without prejudice" settlement of tax with HM Revenue and Customs (HMRC) that covers the tax consequences of the 2006, 2007 and 2008 Christmas grants.
- 1.2 In summary I will recommend a settlement on the basis of paying further tax of £477,841 to cover these three years as I believe that this is the best settlement available by negotiation. I do not believe an approach through the courts is advisable.

2. Background

- 2.1 Shetland Charitable Trust is a Scottish charity, number SC 027025. Charitable status gives exemption from most taxes provided income and gains are only used to fund charitable activities
- 2.2 HMRC have declared themselves satisfied with the Trust's tax affairs up to 31 March 2006. This includes the tax consequences of the 2005 Christmas grants. £60,374 of tax was paid by the Trust following the 2005 grant, based on a "without prejudice" agreement dating back to 1987 that 22.5% of the grants were paid to those who were not in need.
- 2.3 HMRC have taken a different approach to subsequent years. There have been changes to both tax and charity legislation and HMRC consider that these mean that the 1987 agreement is no longer appropriate.
- 2.4 I was in discussion with HMRC on this subject through the spring and summer of 2008. HMRC's initial informal position was that the Trust had not demonstrated need in any of the recipients of the scheme and



so 100% of the grants paid out in 2006 and 2007, and subsequently paid out in 2008, are taxable.

- 2.5 In my report to the Trustees in September 2008, I informed Trustees that HMRC's position had moderated to some degree. HMRC had accepted that some recipients of the Christmas grant must be in need, but that the scheme did not identify which ones. HMRC were of the view that a substantial proportion of the grants paid were distributed to those who were not in need, and so were not charitable and therefore taxable. HMRC suggested the use of a proxy measure – the Government statistic that 19.6% of Scottish pensioners were living at or below the poverty line. Using this figure would mean that tax would be payable on 80.4% of the total grants paid in 2006, 2007 and 2008.

3. Present Position

- 3.1 After further discussion with HMRC, OSCR and Turcan Connell (the Trust's legal adviser), I met with the Trust's tax inspector in Liverpool in March 2009. Notes of the meeting are appended as Appendix 1, with the inspector's subsequent letter included as Appendix 2.
- 3.2 HMRC are looking for a mutually acceptable and pragmatic way forward. HMRC accept that the Trust cannot retrospectively means test to prove need. HMRC also believe that a charity should 'target' grants to those in need.
- 3.3 HMRC have suggested that they would accept payment of tax based on an estimate of the proportion of pensioner recipients who would not have qualified to receive pension credits. Figures are available that show that, in 2005, 26.9% of Shetland pensioners received pension credits. Using this figure would mean that the tax would be payable on 73.1% of the total grants paid in 2006, 2007 and 2008.
- 3.4 There is a particular difficulty with the grants paid to disabled applicants, in that the definition of disabled used for the scheme relies heavily on the receipt of certain benefits which are not means-tested. HMRC are of the view that need is not demonstrated. However, HMRC would be prepared to apply the same percentage, 73.1% being taxable, to the disabled grants as part of arriving at an overall pragmatic solution.

4. Financial Implications

- 4.1 I have produced a table below which shows the amount of tax that has already been paid in 2006 and 2007, and calculates the amount that will have to be paid if HMRC's proposals are accepted.

	Total Grants £	Tax Paid (22 ½ % non charitable) £	Tax Payable (22 ½% non charitable) £	Further Tax Payable (100% non charitable) £	Further Tax Payable (80.4% non charitable) £	Further Tax Payable (73.1% non charitable) £
2006	964,136	61,555	N/a	210,381	157,081	137,230
2007	1,023,520	65,825	N/a	222,860	166,278	145,204
2008	1,069,260	N/a	60,146	207,169	154,775	135,261
TOTAL 3 Years	3,056,916	127,380	60,146	640,410	478,134	417,695

Further tax payable on the basis of HMRC's proposal for settlement is the sum of the four figures shown in **BOLD** and is £477,841.

- 4.2 Settlement with HMRC on the proposed basis would mean paying £477,841 in further tax for 2006, 2007 and 2008. This is less than would have been the case on the basis of HMRC's initial position (all grants taxable, £700,556 to pay) or HMRC's September 2008 position (80.4% taxable, £538,280 to pay).
- 4.3 Settlement with HMRC on the proposed basis would mean paying £477,841 in further tax for 2006, 2007 and 2008. This is less than would have been the case on the basis of HMRC's initial position (all grants taxable, £700,556 to pay) or HMRC's September 2008 position (80.4% taxable, £538,280 to pay).

5. Conclusions

- 5.1 The Trust has been negotiating with HMRC over a period of eighteen months or so. HMRC have taken a pragmatic approach and would consider a without prejudice settlement for 2006, 2007 and 2008 where the Trust pays tax on 73.1% of the amount paid as Christmas grants in those years. If the Trust agreed to settle on this basis I calculate that further tax of £477,841 would be payable. HMRC have agreed settlement on this basis will mean that no penalties or surcharges will be levied on the Trust, although non-punitive interest will be charged (the Trust has had the cash in the bank meantime). HMRC have also agreed that no tax would be payable in the hands of recipients of Christmas grants in 2006, 2007 and 2008.
- 5.2 £477,841 is a lot of tax to pay. However it is a good deal less than the £700,556 which would have been due under HMRC's first proposal. I believe that this proposal represents the best settlement achievable with HMRC by negotiation. The only alternative would be to dispute the inevitable assessment that HMRC would raise if agreement is not reached. This will probably lead to court, and is unlikely to be a beneficial approach.

6. Recommendation

- 6.1 I recommend that Trustees agree to settle with HMRC by paying tax on 73.1% of the Christmas grants paid in 2006, 2007 and 2008, (estimate at £477,841 tax plus interest).



Registered Charity No – SC027025

Note of a Meeting – Christmas Grant Scheme, HMRC

Location: HMRC, Bootle, Liverpool
10th March 2009

Present: Tony Johnson, Inspector, HMRC
Alison Holiday, Technical Adviser, HMRC
Jeff Goddard, Financial Controller, SCT

Going Ahead

HMRC are not happy with non-charitable payments. Needs evidence of means testing/financial targeting. HMRC not aware of any charity that makes simple cash payments without means testing. HMRC believes that Trustees of a charity in the first instance need to consider whether it is right to use money on folk who do not need it, as that money cannot then be given to the needy. HMRC feel that trustees, perhaps helped by their advisers, should make the 'right' decision.

After some discussion HMRC said that it would be prepared to accept a modified scheme as follows:

Pensioners – Paid to those households in receipt of pension credits (26.9% for Shetland in 2005)

Disabled – Current scheme relies on non means tested benefits, so all non charitable. Replace with something means tested/financially targeted.

Or an option is no longer an SCT scheme. SIC should take tax advice if contemplating a scheme funded by Reserve Fund.

There was a further discussion about how payments to the disabled might be financially targeted. JPG pointed out that it is very likely that a very high proportion of the disabled are likely to be disadvantaged to an extent when seeking work, but HMRC were not prepared to accept that 100% needed extra help in the form of cash. HMRC said they would look favourably on a scheme where disabled applicants self-certified that they did not have means above that which would have qualified them for pension credit if they had been a pensioner.

Taxable in the hands of recipients – not really an option. Will be deemed a non-charitable payment. SCT must then deduct 40% tax and pay it to HMRC. Then pensioners can put on tax return and claim back some of or all of the tax if eligible (i.e if not a 40% tax payer)

This will be administratively difficult for the pensioner. Tax man and other regulators will still be unhappy with non-charitable payments.

HMRC are not interested in vouchers, as seen as cash equivalents, unless targeted to an individually assessed need.

2006/2007/2008

HMRC are prepared to apply the 26.9% figure to all three years and all payments (including to the disabled). Almost certainly generous as percentage receiving pension credit is likely to decline year on year, so 73.1% of payments are taxable. HMRC has moved 100% → 80.4% → 73.1%.

Also

Prepared to let us choose the income to be taxed. This may reduce the tax burden.

JPG Comments on the above

- Going ahead – HMRC had a strong feeling that targeting benefits is morally correct, as well as legally (in HMRC's opinion).
- JPG has conducted a little research and has not been able to identify any other charity that makes cash payments without some form of targeting.
- 2006/2007/2008 – I believe that this is the best outcome achievable from a negotiated settlement. It means SCT is likely to pay around £120,000 more tax for 2006 and 2007 on top of the around £60,000 already paid for each year.
- Choosing the income to be taxed is likely to be of a minor benefit, but I will investigate thoroughly.

RECEIVED

21 APR 2009

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Date 16 April 2009
Our Ref 978/09/56325 36985/TJ
Your Ref

DX 725580

Dear Mr Goddard

Shetland Charitable Trust

It was good to meet with you on 10 March 2009 and thank you for taking the trouble to travel to Bootle, I trust that you had a safe journey home.

I enclose a copy of my brief non-verbatim notes of our discussions. Do let me know if you consider that any matter has been materially mis-represented.

We discussed the need for a settlement for 2006-2008 and I offer my "without prejudice" proposals.

I consider that an appropriate basis would be to use statistics for Shetland Islands pension credit claimants in 2005, This is the most up to date statistic that I can find and that I consider relevant since it reflects that those in receipt of pension credit have been appropriately means tested by the Benefits Agency. I enclose a copy showing that 26.9% of the Shetland Islands population aged 60 or over were claiming pension credit in 2005 – source www.dwp.gov.uk. Conversely, 73.1% were not claiming pension credit and would not have been subject to any form of means testing.

If you agree, then the taxable non-charitable expenditure based on the information that you gave to me at our meeting would be as follows: -

2006	£964,136	@ 73.1% =	£704,783
2007	£1,023,520	@ 73.1% =	£748,193
2008	£1069,260	@ 73.1% =	£781,629

Information is available in large print, audio tape and Braille formats.
Type Talk service prefix number - 18001

Head of Unit: Keith Moore



INVESTOR IN PEOPLE



I have excluded the tax and administration costs such that only 73.1% of the grants paid become taxable. Credit will be given in the settlement for tax paid in 2006 – 2008 as appropriate, but interest is accruing under S87A TMA 1970 on any unpaid tax.

I do not consider this to be culpable offence and therefore no tax-gearred penalty will arise under Paragraph 20 Schedule 18 Finance Act 1998.

If you can agree my proposal then please let me have your agreement in writing together with any election under S542 (2) ITA 2007 within 30 days of the date of this letter.

Have you had chance to consider the options for the future of the Christmas Bonus scheme and make any recommendations to the trustee's following our meeting? I would be happy to consider any proposals and comment formally on the tax consequences (if any) if it would assist the trust in developing a modernised and targeted scheme.

I look forward to hearing from you in due course.

Yours sincerely



A Johnson
HM Inspector of Taxes

Notes of Meeting Held on 10 March 2009

St.Johns House, Merton Road, Liverpool, L75 1BB.

Re : Shetland Charitable Trust

**Present : Jeff Goddard (JG) - Financial Controller - SCT
Tony Johnson (TJ) - HMRC
Alison Holliday (AH) - HMRC**

1. JG arrived by prior appointment at 1pm and was shown to the boardroom. Introductions and opening pleasantries were exchanged.
2. TJ stated that there was only one item on today's agenda, the SCT Christmas Bonus Scheme. JG agreed with the caveat that he had no authority to agree anything today, but would feedback to the wider body of trustees and make recommendations following today's discussion.
3. TJ stated his conclusion was that the Bonus Scheme was not an application to a charitable purpose since it allowed for indiscriminate payments to eligible applicants under criteria that had no regard to financial status.
4. AH stated that where SCT are making a financial grant, it required some consideration of a beneficiary's financial need. Neither the payments made to pensioners nor the payments made to disabled persons had been subject to any assessment of financial need.
5. TJ agreed with JG that payments would have gone to some individuals in financial need, but stated that the current process meant that this was more by accident than design and that SCT would not have the necessary audit trail to demonstrate this to a tribunal if necessary.
6. JG accepted that the payments were not demonstrably charitable and was prepared to recommend to the trustees that the scheme could not go forward in its current form. JG wanted to discuss a number of options for the future and hear HMRC proposals on 2006-2008.
7. JG stated that Shetland Islands Council were contemplating taking over the scheme to take it out of the charities arena. TJ and AH agreed that this would solve the problem subject to SIC taking the necessary taxation advice of the consequences of making such payments.
8. JG asked whether payments could continue subject to withholding tax retained by SCT. AH advised that this would not make the payments charitable in nature and would lead to an administrative burden for SCT.
9. JG spoke of a move toward excluding the aged from the scheme and making it wholly a scheme for the disabled so that its charitable application was more transparent. TJ stated that it would still need to have a demonstrable financial need test if financial support is to underpin such a scheme.

10. TJ had reviewed JG e-mail of 9 February 2009 and had been drawn to the suggestion of linking payments to those in receipt of pension credit as a potential solution. TJ noted that pension credit is means tested and so by targeting the Christmas Bonus at those in receipt of pension credit would be considered making payments to somebody in identifiable financial need.
11. JG stated that SCT had a discrete relationship with the Benefits Agency in Shetland but did not think this would extend to exchanging information on pension credit claimants. TJ envisaged that the applicant would certify an entitlement to pension credit and provide official evidence to SCT.
12. JG queried how disabled people could be included in a future scheme based on means tested pension credits? TJ thought that a "self-certification of income" by a person in receipt of state provided disability benefits could work. A claimant should be asked to certify that they are receipt of total income including any disability benefits which is at or below the total income level for pension credit of the elderly. In this way, the scheme could be demonstrably equitable for the elderly and disabled.
13. TJ, AH and JG agreed that introducing self-certification of pension credit and/or total income carried an audit responsibility for SCT, at least on an annual sample basis.
14. JG asked whether any further liability due for 2006 to 2008 could be waived if an HMRC approved scheme for 2009 could be introduced. TJ did not agree that this would be acceptable. TJ had drawn a line under years up to 2005 as part of his enquiry into APE 31 March 2006 and was not prepared to make further concessions.
15. JG stated that the trustees were grateful for TJ pragmatic gesture up to 2005 and that JG had drawn attention to HMRC reasonable approach to this matter when dealing with the trustees and local press on this sensitive issue.
16. TJ had found statistics demonstrating that 26.9% of Shetland pensioners claimed pension credit in 2005. TJ thought that this could form the basis for agreeing a settlement for 2006 to 2008 if the trustees adopted a pension credit qualifier for future payments.
17. JG agreed to take the matter back to the trustees of SCT and make recommendations based on today's discussions. JG handed TJ an analysis of Christmas Bonus payments made in 2006 to 2008.
18. JG updated TJ on progress of the proposed wind farm on Shetland and also outlined potential future investments in the ferry service and a new school on the island. TJ agreed to receive correspondence from JG if S20 clearances were required for the proposed investments.
19. All parties gave thanks for a constructive meeting which concluded at 245p m.

Tony Johnson
HMRC
16 March 2009

Jance - VWF WWW, CWP, J...

		Thousands							
		Total caseload		Guarantee Credit and Savings Credit		Guarantee Credit only		Savings Credit only	
		000s	% ¹	000s	% ¹	000s	% ¹	000s	% ¹
Wiltshire									
		14.8	15.3%	7.8	8.0%	3.0	3.1%	4.0	4.2%
Kennet	46UB	2.8	17.4%	1.4	8.4%	0.6	4.0%	0.8	5.0%
North Wiltshire	46UC	3.7	14.5%	2.1	8.2%	0.7	2.9%	0.9	3.4%
Salisbury	46UD	3.8	13.7%	1.8	6.6%	0.8	2.9%	1.1	4.2%
West Wiltshire	46UF	4.5	16.4%	2.5	9.0%	0.8	3.0%	1.2	4.4%
WALES GOR									
		156.6	23.2%	83.3	12.4%	41.3	6.1%	32.0	4.7%
Blaenau Gwent	PL	4.8	30.2%	2.4	15.2%	1.3	8.2%	1.1	6.7%
Bridgend	PB	7.1	24.5%	3.5	12.5%	2.0	6.8%	1.5	5.3%
Caerphilly	PK	9.1	25.8%	5.2	14.7%	2.2	6.2%	1.7	4.9%
Cardiff	PT	14.8	25.9%	7.0	12.3%	5.3	9.3%	2.5	4.3%
Cardiffshire	NU	10.7	23.7%	5.9	13.2%	2.3	5.2%	2.4	5.4%
Ceredigion	NQ	2.9	15.1%	1.7	8.7%	0.9	4.5%	0.4	1.9%
Conwy	NE	7.3	22.2%	3.7	11.4%	2.1	6.4%	1.4	4.3%
Denbighshire	NG	5.2	20.7%	2.6	10.5%	1.3	5.4%	1.2	4.9%
Flintshire	NJ	6.5	20.7%	3.5	11.1%	1.5	4.9%	1.5	4.8%
Anglesey, Isle of	NA	3.5	20.1%	1.9	11.0%	1.0	5.6%	0.6	3.5%
Gwynedd	NC	6.7	22.6%	3.9	13.1%	1.5	5.1%	1.3	4.5%
Merthyr Tydfil	PH	3.1	25.8%	1.6	13.7%	1.1	9.2%	0.4	3.0%
Monmouthshire	PP	3.3	15.8%	1.8	8.5%	0.7	3.2%	0.9	4.1%
Neath Port Talbot	NZ	8.3	25.7%	4.7	14.4%	1.6	5.0%	2.0	6.2%
Newport	PR	7.1	24.1%	3.6	12.2%	2.1	7.3%	1.4	4.6%
Pembrokeshire	NS	6.4	21.4%	3.2	10.6%	1.8	5.9%	1.5	4.8%
Powys	NN	5.8	17.0%	3.1	9.2%	1.4	4.0%	1.3	3.8%
Rhondda, Cynon, Taff	PF	14.0	27.9%	7.6	15.1%	3.6	7.3%	2.8	5.6%
Swansea	NX	13.3	25.1%	7.4	14.0%	3.5	6.6%	2.4	4.6%
The Vale of Glamorgan	PD	4.8	17.7%	2.3	8.6%	1.1	4.0%	1.4	5.0%
Torfaen	PM	5.2	25.8%	2.7	13.4%	1.4	6.8%	1.1	5.5%
Wrexham	NL	6.7	24.4%	3.8	13.9%	1.6	5.9%	1.3	4.6%
SCOTLAND GOR									
		276.5	25.5%	143.1	13.2%	75.9	7.0%	57.5	5.3%
Aberdeen City	QA	8.9	21.3%	4.3	10.3%	2.4	5.7%	2.2	5.3%
Aberdeenshire	QB	9.1	19.9%	4.8	10.4%	2.3	4.9%	2.1	4.5%
Angus	QC	5.5	21.1%	2.7	10.4%	1.3	4.9%	1.5	5.9%
Argyll and Bute	QD	5.0	21.4%	2.5	10.9%	1.4	6.2%	1.0	4.3%
Clackmannanshire	QF	2.1	21.4%	1.0	10.5%	0.5	5.1%	0.6	5.8%
Dumfries and Galloway	QH	8.7	22.2%	4.5	11.4%	2.3	5.9%	1.9	4.9%
Dundee City	QJ	9.9	30.0%	5.1	15.5%	2.9	8.8%	1.9	5.7%
East Ayrshire	QK	7.9	30.0%	4.1	15.5%	1.9	7.1%	1.9	7.4%
East Dunbartonshire	QL	3.4	14.5%	1.9	7.9%	0.8	3.6%	0.8	3.2%
East Lothian	QM	4.7	22.5%	2.3	11.2%	1.0	4.7%	1.4	6.5%
East Renfrewshire	QN	3.5	18.1%	1.9	10.0%	0.7	3.7%	0.8	4.4%
Edinburgh, City of	QP	17.2	19.5%	8.9	10.0%	5.3	6.0%	3.0	3.4%
Cornhairie nan Eilean Siar (previously Western Isles)	RJ	2.3	32.8%	1.2	16.8%	0.8	11.9%	0.3	4.1%
Falkirk	QQ	7.9	25.6%	3.7	12.1%	2.3	7.4%	1.9	6.1%
Fife	QR	16.3	21.2%	7.7	10.0%	4.1	5.4%	4.5	5.9%
Glasgow City	QS	46.3	40.7%	23.9	21.0%	15.6	13.7%	6.8	6.0%
Highland	QT	10.7	22.1%	5.3	10.9%	3.0	6.1%	2.5	5.1%
Inverclyde	QU	5.3	28.8%	3.1	16.5%	1.2	6.6%	1.1	5.7%
Midlothian	QW	3.6	21.9%	1.8	10.9%	0.8	4.9%	1.0	6.1%
Moray	QX	3.8	19.7%	2.0	10.4%	1.0	5.2%	0.8	4.1%
North Ayrshire	QY	7.9	26.0%	3.8	12.4%	2.7	8.8%	1.5	4.8%
North Lanarkshire	QZ	19.8	31.9%	10.6	17.0%	5.1	8.2%	4.1	6.6%
Orkney Islands	RA	1.0	22.1%	0.6	12.6%	0.3	6.1%	0.2	3.5%
Perth and Kinross (previously Perthshire & Kinross)	RB	6.4	18.9%	3.5	10.3%	1.6	4.6%	1.4	4.0%
Renfrewshire	RC	10.0	27.6%	5.6	15.5%	2.4	6.6%	2.0	5.5%
Scottish Borders, The	QE	6.1	22.3%	3.4	12.4%	1.2	4.5%	1.5	5.4%
* Shetland Islands	RD	1.2	26.9%	0.7	15.0%	0.4	8.2%	0.2	3.6%
South Ayrshire	RE	6.3	22.0%	3.5	12.2%	1.5	5.1%	1.4	4.8%
South Lanarkshire	RF	17.9	28.2%	9.8	15.1%	4.5	7.1%	3.8	6.0%
Stirling	RG	3.6	19.7%	2.0	11.1%	1.0	5.5%	0.6	3.1%
West Dunbartonshire (previously Dumbarton & Clydebank)	QG	7.2	37.3%	3.7	19.1%	1.9	9.8%	1.6	8.4%
West Lothian	RH	7.0	25.7%	3.5	13.0%	1.9	6.9%	1.6	5.8%

Notes:

- * Figures under 500 are subject to a high degree of sampling error and should only be used as a guide
- Nil or negligible
- . Not applicable
- .. Not available

1 % of population aged 60 or over.
 2 Numbers are rounded to the nearest hundred and are expressed in thousands.
 3 Totals may not sum due to rounding.
 4 Numbers are based on a 5% sample, and are therefore subject to a degree of sampling variation.
 5 These figures are not seasonally adjusted. Any comparisons should be made "year on year"

REPORT

To: Shetland Charitable Trust

28 May 2009

From: General Manager

Report: CT0905037

**Christmas Grant to Pensioner/Disabled Persons
Recommendations of Review Group****1. Introduction**

- 1.1 The purpose of this report is to present the findings of the Christmas Grant Review Group ("the Group"), and to seek Trustee approval for its proposals.

2. Background

- 2.1 At their Meeting on 19 February 2009, Trustees agreed to review the Christmas Grant Scheme ("the Scheme") and appointed nine trustees to review the Scheme (Min Ref CT/07/09). The necessity to review the Scheme stems in part from the decision by Her Majesty's Revenue and Customs ("HMRC") that a large percentage of the grants paid under the present scheme are non-charitable, and therefore liable to tax. There has also been a change to charity law resulting in the establishment of the Office of the Scottish Charity Regulator ("OSCR").
- 2.2 The group has met several times, and has consulted with representatives of Age Concern, the Department of Work and Pensions, Citizens Advice Bureau and Shetland Islands Council, as well as speaking with representatives from Orkney Islands Council, who have recently undertaken a similar exercise.
- 2.3 The review has been carried out according to Terms of Reference approved by Trustees on 26 March 2009 (Min Ref CT/18/09).

3. Proposal**Pensioners grants**

- 3.1 The Group has agreed to recommend that the Christmas Grant should be targeted towards all individuals over 60 in receipt of pension credit, and should be paid to all eligible individuals, as opposed to households at present.

- 3.2 It is the majority view of the Group that the grant should be set at £300, and that the index linking should be abolished. A comparison of the existing and proposed Schemes is set out in a table below.

Table 1

Existing Scheme	Proposed Scheme
Payable to all in the appropriate age-group	Targeted to those in receipt of pension credit
Grants paid to households	Grants paid to individuals, no limit per household
Men over 65, women over 60	Everybody at age 60
£324 and index linked	£300 and increased at Trustees' discretion

Disabled Scheme

- 3.3 After exploring various options, the Group decided to recommend that, unless any objections were received from either OSCR or HMRC, the Disabled Persons Grant should continue with the criteria unchanged, except to remove the restriction of two grants per household. The Group accepts that this may generate a liability to tax, but that this is a small percentage of the overall budget.

4. Financial Implications

- 4.1 The changes proposed in paragraph 3 above will result in considerable savings to the Trust. Table 2 below gives estimated costs for the existing and revised schemes, based on the actual numbers for 2008/09.

Table 2

	Existing Scheme 2009/10 £	Proposed Scheme 2009/10 £
Pensioners grants	894,240	395,400
Disabled persons grants	168,480	156,000*
Tax	194,212	33,150
Administration	5,000	5,000
TOTAL	1,261,932	589,550

* number unchanged, but proposed amount reduced from £324 to £300.

5. Recommendation

- 5.1 Trustees are recommended to approve the amendments to the Scheme proposed by the Group and set out in paragraph 3 above.

REPORT

To: Shetland Charitable Trust

28 May 2009

From: Financial Controller

Report: CT0905035

INVESTING IN THE NEW ANDERSON HIGH SCHOOL – DECISION IN PRINCIPLE

1. Introduction

- 1.1 I reported to Trustees at the March 2009 meeting that The Trust has been approached by Shetland Islands Council (“the Council”), as to whether the Trust or Shetland Leasing and Property Developments Limited (“SLAP”) would invest in the infrastructure of the new Anderson High School.
- 1.2 Trustees decided (min ref CT 21/09) that the investment, if made, will be made through SLAP. SLAP is a wholly owned subsidiary of the Trust and is already an experienced property leasing company. It has over 30 leased properties in its portfolio, and has the advantage of being able to reclaim VAT on the purchase invoice. However, SLAP does not have £50 million available to invest, and so could only be the investor if the Trust, in turn, decided to invest further in SLAP. A further investment in SLAP would need clearance from HMRC that it was a “qualifying” investment.
- 1.3 The total SLAP investment proposed is around £50 million. The proposal is that the Council finances the construction phase, with SLAP purchasing the building on completion (2013), and immediately leasing the building to the Council on a long lease on commercial terms (a purchase and lease back).
- 1.4 The above purchase and lease back proposal is, in my opinion, attractive to the Shetland Charitable Trust Group. It is likely to result in a secure investment that generates a commercially competitive and regular return. I will be recommending that Trustees agree, in principle, to investing in the new Anderson High School.
- 1.5 The Council’s Services Committee has decided to recommend to the Council (meeting 20 May 2009) that the Council should:

4

1.5.1 Approve the sale/leaseback deal with SLAP as the preferred method of financing the new Anderson High School, with the detailed paperwork to be concluded with SLAP in time for implementation on completion of the building (current estimate 2013); and

1.5.2 In the meantime keep all other options under review in case circumstances change in way, which would favour an alternative approach.

2. The Proposal

2.1 SLAP has a portfolio of over 30 properties, leased to a selection of tenants. Tenants include the private sector (SBS, BP and others) and the public sector (SIC, Visit Scotland and others). HMRC accepts that SLAP operates the core property business in a commercial way. Shetland Charitable Trust can only invest in SLAP on a commercial basis, and as a consequence Trustees require SLAP to act commercially. SLAP seeks to achieve a return of 5% pa real (ie above inflation) on its assets.

2.2 The prospective deal has the following features:

2.2.1 SIC will fund the construction of the new Anderson high School for the estimated cost of £49 million in the estimated period 2009-2013;

2.2.2 In 2013 (or after completion) the SIC will sell the AHS at cost (estimated £49 million) to SCT/SLAP;

2.2.3 SIC will lease the AHS back from SCT/SLAP for a thirty year period, during which all the burdens of ownership will fall upon the Council (maintenance, rates, running costs, insurance, and so on), and after which the title to the AHS will pass to the Council at no further cost; and

2.2.4 The price of the lease, based on a fair return on capital of £49 million to SCT/SLAP and a fair cost of capital to the SIC (5% real) is £3.19 million per annum at 2013/14 prices (to be index linked to the Consumer Prices Index thereafter). The discounted cash flow which calculates the price is contained in Appendix A.

2.3 I have discussed the proposal with the Trust's General Manager and subsequently wrote to the Council's Head of Finance in the following terms:

2.3.1 "We like the deal as proposed, in terms of it being commercial, fair and attractive, and will recommend it to both the Trust (which will need to provide some fresh funds) and SLAP (the actual vehicle);

2.3.2 However, we want to point out to you (and so to the SIC), that this project (£49 million), plus the existing and planned investments in property by SLAP and at SVT, plus the existing and planned commercial investments in the infrastructure of the District Heating Scheme, will take the Shetland Charitable Trust Group to, or very near to, the limit that I believe that the Trust Group should invest in these type of leasing investments. This means that if the SIC asks the Trust (through SLAP) to commit to this proposed financing route, then the SIC should not expect this type of funding to be available for other significant purchase and leaseback type projects."

3. Impact on the Shetland Charitable Trust Group

- 3.1 The Shetland Charitable Trust Group's current investment strategy can be summarised at the highest level as to invest in two categories of assets:
The first category - 50% of investable assets in high return/ high volatility assets such as shares; and
The second category - 50% of investable assets in lower return/steady income generating assets such as bonds, cash and property. The Trust's investment in SLAP is included in this category.
- 3.2 A purchase and lease back will fall into the second category. An investment of around £50 million will mean a significant restructuring of that part of the Shetland Charitable Trust Group's portfolio, but it can be accommodated within the 50% of the Group's investable assets in the second category
- 3.3 Once negotiated and signed, the risk in any lease from SLAP's viewpoint is that the counterparty will not be able to fulfil it's legal obligation to pay the rent, perhaps through bankruptcy. The Council is disbarred from bankruptcy by statute (it is effectively underwritten in the last resort by Central Government). This means that the Council is a very low risk counterparty, so very attractive to the SLAP.
- 3.4 The lease, once legally binding, will not be difficult to administer. The income will follow a set, known pattern, and there will not be further significant decisions flowing from it. SLAP is experienced at administering leases.

4. Financial Implications

- 4.1 Although a large investment at around £50 million, this purchase and leaseback investment could be accommodated within the 50% portion of the Shetland Charitable Trust Group's assets invested in steady income generating assets.

4.2 This deal, if implemented, will use up most, if not all of the Shetland Charitable Trust Group's capacity to do this kind of transaction.

5. Conclusions

5.1 An investment of around £50 million in the infrastructure of the new Anderson High School would be a large investment for the Shetland Charitable Trust Group (undertaken by SLAP).

5.2 However, such an investment could be accommodated. The Council is a very safe counterparty and this makes this proposal attractive, provided the return through the rent is similar to that which can be expected by investing in other assets.

5.3 It is essential that SLAP generates a commercial return when it invests. However, I believe that given the expectation of similar returns, SLAP benefits this community more by investing in infrastructure in Shetland in preference to the Shetland Charitable Trust Group investing in bonds and property (elsewhere).

6. Recommendation

6.1 I recommend that Trustees:

- (i) Approve, in principle, the purchase and leaseback deal to invest into the new Anderson High School, set out in paragraph 2.2 and Appendix A, with the detailed paperwork to be concluded with Shetland Islands Council in time for implementation on completion of the building (current estimate 2013); and
- (ii) Continue dialogue with officers of Shetland Islands Council to keep the proposal under review in case circumstances change.

Reference: JPG/CAL/IA2

Report Number CT0905035

ANDERSON HIGH SCHOOL
Discounted Cash Flow

Real Discount Rate (%) 5.00

Year	Discount Factor	Cash Flow Sale £million	Cash Flow Lease £million	Discounted Cash Flow £million	Cumulative Discounted Cash Flow £million
-	1.000	(49.00)		(49.00)	(49.00)
1	0.952		3.19	3.04	(45.96)
2	0.907		3.19	2.89	(43.07)
3	0.864		3.19	2.76	(40.31)
4	0.823		3.19	2.62	(37.69)
5	0.784		3.19	2.50	(35.19)
6	0.746		3.19	2.38	(32.81)
7	0.711		3.19	2.27	(30.54)
8	0.677		3.19	2.16	(28.38)
9	0.645		3.19	2.06	(26.33)
10	0.614		3.19	1.96	(24.37)
11	0.585		3.19	1.87	(22.50)
12	0.557		3.19	1.78	(20.73)
13	0.530		3.19	1.69	(19.03)
14	0.505		3.19	1.61	(17.42)
15	0.481		3.19	1.53	(15.89)
16	0.458		3.19	1.46	(14.43)
17	0.436		3.19	1.39	(13.04)
18	0.416		3.19	1.33	(11.71)
19	0.396		3.19	1.26	(10.45)
20	0.377		3.19	1.20	(9.25)
21	0.359		3.19	1.15	(8.10)
22	0.342		3.19	1.09	(7.01)
23	0.326		3.19	1.04	(5.97)
24	0.310		3.19	0.99	(4.98)
25	0.295		3.19	0.94	(4.04)
26	0.281		3.19	0.90	(3.14)
27	0.268		3.19	0.85	(2.29)
28	0.255		3.19	0.81	(1.47)
29	0.243		3.19	0.77	(0.70)
30	0.231		3.19	0.74	0.04
	Total	(49.00)	95.70		
NET PRESENT VALUE				0.04	

REPORT

To: Shetland Charitable Trust

28 May 2009

From: Financial Controller

Report: 0905034

Budget Enhancements

1. Introduction

1.1 This report is presented to seek Trustee approval to vary the conditions attached to funding already approved for projects/activities funded by the Trust.

2. Present Position

Fire Upgrades in SCT-owned Care Homes

2.1 At their meeting on 13 November 2008, Trustees approved a report which recommended that Trustees authorise expenditure of £515,803 in 2008/09, to undertake essential work in Trust-owned Care Homes to comply with current fire safety legislation. It was also noted that a budget of £386,000 would be required in 2009/10 to complete the work (Min Ref CT/74/08).

2.2 At 31 March 2009, not all the work was complete, and Trustees are recommended to agree to enhance the 2009/10 budget by the balance of £207,600 from the 2008/09 budget to match the expenditure to the appropriate year. This will give a total budget for 2009/10 of £593,600.

New Museum and Archives

2.3 At their meeting on 7 July 2005, Trustees approved a repayable float of £500,000 to Shetland Amenity Trust to bridge the funding from the Heritage Lottery Fund ("HLF"), which was paid on submission of receipted invoices and could be up to three months in arrears.

2.4 At their meeting on 3 May 2006, Trustees approved further funding of up to £800,000 to complete the project. Some £81,615 remains to be drawn down.

2.5 The project is now complete and some £350,000 of the float has been repaid, leaving £150,000 with Shetland Amenity Trust. This brings the total funding for the project to £12.03 million, of which the Trust will have contributed £6.065 million. The final payments on the

project have been agreed, with the exception of the main contractor, and this is nearing settlement.

- 2.6 Shetland Amenity Trust can retain £81,615 of the remaining £150,000 float without a further Trustee decision (paragraph 2.4 refers). However Shetland Amenity Trust has also asked to retain the remaining £68,385 of the float. Agreeing to this would mean Trustees accepting a variance of plus 0.57% on a £12.03 million project. Shetland Amenity Trust is confident that the final payments will be covered by this final sum.

Cost of Change – Trusts

- 2.7 On 30 March 2005, the Shetland Islands Council and the Trust agreed to integrate the management arrangements for the services provided by Shetland Arts Trust and Islesburgh Trust into Shetland Islands Council and a new Arts Agency, now known as Shetland Arts. Most of the work to effect this change has now been completed. In 2008/09, Trustees approved a single budget of £50,000 to meet the remaining expenses to do with transferring the buildings from Islesburgh Trust to Shetland Islands Council and the Trust. The transfers were completed by 31 March 2009, but some work still has to be done before the charity can be wound up. Some £24,756 remained unspent in the 2008/09 budget and it is proposed to enhance the 2009/10 budget by this amount.

3. Proposal

3.1 The following budget variations are proposed:-

- a) to enhance the 2009/10 budget for Fire Upgrades by the £207,600 underspend from 2008/09;
- b) to allow Shetland Amenity Trust to retain the balance of £150,000 of their repayable float; and
- c) to enhance the 2009/10 Cost of Change Budget Head by the £24,756 underspent in 2008/09.

4. Financial Implications

4.1 The budget variations in 3.1 a) and c) above have no financial implications for the Trust, as the funding has already been approved. The proposal at 3.1b) will result in a net loss of £68,385, the result of 0.57% slippage on a £12.03 million project.

5. Recommendation

5.1 Trustees are recommended to approve the budget variations set out in paragraph 3 above.

REPORT

To Shetland Charitable Trust

28 May 2008

From: General Manager

Report No. CT0905036-F

RECOMMENDED DISBURSEMENTS – SOCIAL CARE**1. Background**

- 1.1 This report concerns approvals by the Council's Head of Community Care in the periods 7 March to 31 March 2009 and 1 April to 15 May 2009, in terms of Report Number CT/030/94, which was approved by the Trustees on 8 April 1994.

2008/2009 Approvals**2. Social Assistance Grant Scheme – £7,277.73**

- 2.1 In the period to 31 March 2009, one grant was approved by the Trust's Agent, and one grant was approved by Trustees, as it exceeded the limit of the Agent's Authority to approve. These are shown in the table below, together with a refund for an item which cost less than expected

Table I

<u>Reference</u>	(£)
2008/09-65	322.00
2008/09-66	7,000.00
2008/09-54 (refund to budget)	(44.27)

- 2.2 The grants would be allocated from the Social Assistance Grant Scheme budget head.

2009/2010 Enhancements**3. Social Assistance Grant Scheme - £7,987.00**

- 3.1 Throughout the 2008/2009 financial year, Trustees noted Social Assistance grants to various individuals from the Social Assistance budget head.



3.2 Delays can occur in jobs being started due to contractors' other work commitments and the length of time it takes for specialist equipment to be made and sent from suppliers. As a result, works for one individual have rolled over into the 2009/2010 financial year.

3.3 The following table shows the individual job concerned and the requested budget enhancement: -

Table 1

<u>Reference</u>	(£)
2008/09-13	987.00
2008/09-66	7,000.00

4. Independence at Home Scheme - £10,000

4.1 In order to make allowances for any further technical support fees and contract retentions, it is requested that £10,000 of the remaining unspent balance from the Independence at Home Scheme is carried forward. The remaining budget of £39,472 will no longer be required as the Scheme has been discontinued.

2009/2010 Approvals

5. Social Assistance Grant Scheme - £6,974.17

5.1 The Head of Community Care approved the following:-

Table 3

<u>Reference</u>	(£)
09/10-01	805.00
09/10-02	390.52
09/10-03	138.74
09/10-04	163.40
09/10-05	46.00
09/10-06	100.00
09/10-07	583.00
09/10-08	208.99
09/10-09	1,340.00
09/10-10	1,500.00
09/10-11	1,480.00
09/10-12	218.52

5.2 The grants would be allocated from the Social Assistance Grant Scheme budget head.

6. Recommendations

6.1 Trustees are asked to note the 2008/2009 approvals shown in Table 1, totalling £7,277.73.

6.2 Trustees are recommended to approve the 2009/10 budget enhancements as follows: -

Social Assistance Grant Scheme	£7,987.00
Independence at Home Scheme	£10,000.00

6.3 Trustees are asked to note the 2009/2010 Social Assistance Grants totalling £6,974.17:

Shetland Charitable Trust

Date: 15 May 2009

Ref: EMA/DS1

Report No: CT0905036 - F

REPORT

To: Shetland Charitable Trust

28 May 2009

From: Financial Controller

Report No: CT0905046

Trustee Allowances Update

1 Introduction and Key Decisions

- 1.1 At their meeting on 21 March 2007, Trustees agreed a Scheme of Reclaimable Expenses, which mirrored the Scheme in place for Elected Members of Shetland Islands Council. (Min Ref CT/11/07)
- 1.2 On 19 September 2007, Trustees agreed to implement a scale of reclaimable expenses based on the rates set by the Scottish Government for Elected Members (Min Ref CT/47/07). This report asks Trustees to agree to revised rates, which came into effect for Council Members on 10 February 2009.

2 Background

- 2.1 Shetland Charitable Trust is governed by Trust Law and its Trust Deed. As a general rule Trustees are not entitled to remuneration and there is an assumption that trustees will act gratuitously and not receive remuneration for performing their duties under the trust.
- 2.2 The Charities and Trustee Investment (Scotland) Act 2005, at Section 67, states, "a charity trustee may not be remunerated for services provided to the charity ..." unless in certain specific circumstances where it can be demonstrated that to do so would be in the best interests of the charity. Out-of-pocket expenses paid to charity trustees, for instance travel expenses to attend meetings, would not be considered remuneration and their payment is specifically authorised by the trust deed.
- 2.3 The Chair and Vice Chair of the Shetland Charitable Trust receive £5,000 and £2,500 respectively, per annum, in recognition of the extra duties required by that office.



3 Proposal

- 3.1 Amendments have been made to some of the permitted amounts for travel and subsistence. The rates have been revised with effect from 10 February 2009. A new allowance has been introduced for Trustees choosing to stay with friends and relatives in lieu of claiming overnight subsistence. It is proposed that Trustees agree to adopt the new rates for expenses to be claimed when on Trust business.
- 3.2 I have attached, as Appendix 2, the new claim form, which must be used by Trustees when claiming expenses. Guidance notes are also attached. Please note that, with the exception of the friends and relatives allowance, receipts are still required for all overnight accommodation, and claims are only allowed for actual expenditure incurred, subject to the given maximum amounts.

4 Financial Implications

- 4.1 There are no significant cost implications, and introducing a rate of £25 for staying with friends and relatives may even result in cost savings being generated. The mileage rate has been reduced from 49.3p to 40p per mile, which will also generate cost savings.

5 Recommendations

- 5.1 Trustees are recommended
- a) to adopt the Scheme of Reclaimable Expenses, set out in Appendix 1, to be applied to all claims with effect from 10 February 2009; and
 - b) to use the new claim form (example attached as Appendix 2) for all claims submitted after the date of this meeting

Financial Controller
Shetland Charitable Trust

12 May 2009

Report Number: CT0905046-d

Shetland Charitable Trust - Claim for Trustee Allowances – Guidance Notes

This form should be used for claiming all expenses incurred in the performance of approved duties of the Shetland Charitable Trust. This form should NOT be used for claiming reimbursement of expenses in respect of the Shetland Islands Council or other Trust bodies, ie. Development Trust, etc. Claims for these bodies should be made on the appropriate form.

This claim form provides the necessary documentation for HM Revenue and Customs and Internal and External Audit .

Claims MUST be submitted EACH MONTH and should be sent either to the Executive Office at the Town Hall, who will forward the form to Shetland Charitable Trust, or directly to the Trust office at 22-24 North Road, Lerwick. Claims will then be certified as accurate and passed to the Payroll Section of Finance for payment.

To assist in the completion of the form your attention is drawn to the following points:

4. **DATE**
Please insert Date for which expense item is claimed.
5. **TIMES OF DEPARTURE/RETURN**
Departure/Return times should be entered for verification of amounts claimed for subsistence.
6. **DETAILED DESCRIPTION OF APPROVED DUTY**
Clearly indicate which meeting you are attending or the relevant detail of the approved duty undertaken.
7. **MILEAGE**
Number of miles travelled in Trustee's own car to attend Trustee meetings/approved duties should be entered in this column.
8. **SUBSISTENCE**
Subsistence relates to overnight accommodation and meals. **Only receipted costs will be reimbursed to the prescribed maximum levels.**

The current maximum rates (which are inclusive of VAT) are detailed below:-

MEALS

i)	Breakfast (where no overnight subsistence is claimed)	£8 per day
ii)	Lunch	£12 per day
iii)	Dinner	£25 per day

OVERNIGHT SUBSISTENCE

i)	Within Central London	£131
ii)	Elsewhere in the UK	£110
iii)	Friends and relatives	£25

These overnight rates are deemed to cover a continuous period of absence of 24 hours and are to cover the costs of Bed and Breakfast.

9. **OVERSEAS TRAVEL**
Overseas travel and subsistence is reimbursed on an **actuals basis**. It is therefore important that all receipts, for which reimbursement is required, are kept. (Note: Isle of Man and Channel Isles are regarded as overseas travel)

Receipts in Foreign Currency must be converted to pounds sterling before submission to Payroll.
10. **OTHER TRAVEL EXPENSES**
Receipts must be provided in respect of any miscellaneous travel incurred and subsequently claimed whilst on official trust business eg. Bus Fares, Train/Underground Fares, Taxi Fares, Ferry Fares.
11. **TELEPHONE EXPENSES**
The cost of calls or e-mails associated with Trust business can be reimbursed, provided that an appropriate call log is attached to the claim form



REPORT

To: Shetland Charitable Trust

28 May 2008

From: Head of Finance Services

Fund Management Annual Review 2008/09 Report No: F-019-F

1. Introduction

- 1.1 The purpose of this report is to inform Trustees of the up to date position and performance of the Trust's external investments with fund managers, and to examine the fund managers' performance relative to the market in 2008/09.
- 1.2 The Shetland Charitable Trust has a Service Level Agreement with the Shetland Islands Council for Treasury Services. This report is presented to the Shetland Charitable Trust under the terms of this Service Level Agreement.
- 1.3 The Charitable Trust has three fund managers with total investments under management at the end of March 2009 of £144 million.
- 1.4 The Charitable Trust's reserves are split between three fund managers as shown below:

Funds under Management as at 31 March 2009

Manager	Fund	% of Reserves
Barclays Global investors (BGI)	Equity	65%
Insight Investment Management	Bond	31%
	Property	3%
Record Currency Management	Currency	1%

- 1.5 There are no fund manager presentations accompanying this report at this meeting. Due to the current situation where the Charitable Trust's fund managers also manage mandates for the Council or the Pension Scheme, the decision was taken to ask the fund managers

8

to give one presentation, at the Special Shetland Islands Council meeting on the 27th May 2009. All Shetland Charitable Trust Trustees were invited by the Council to attend the Council meeting if they so wished to hear the presentations. This allowed the Trustees to meet, hear and question their fund managers. As a fund manager's investment process is broadly similar for all of their mandates it was decided to adopt this approach for this annual review only. This will save time at the Charitable Trust meeting and avoid unnecessary repetition of presentations.

- 1.6 This report does not cover or look at the Charitable Trust's investment strategy and should not be used for that purpose. Any decisions on investment strategy, i.e. alterations to investment managers or the asset allocation should only be considered when all relevant factors and issues are addressed, and this report would only be one contributing factor. The Charitable Trust's investment strategy will be fully covered by a report to a future Charitable Trust meeting.
- 1.7 This report reviews the annual performance of each manager and concentrates mainly on each fund over the short term i.e. 2008/09. I will review each fund manager in turn and compare their performance against the market performance where they were asked to invest, and also against the additional out performance target we asked them to achieve.
- 1.8 Due to the nature of the investments these managers invest in, we take a long-term investment view, generally a five-year period. I will therefore not only look at each manager's performance over 2008/09 but will also look at their performance over a five year period, or from the inception of the mandate if that is shorter.

2. Background

- 2.1 The external investments of the Charitable Trust (ie other than those invested in the local economy) are co-ordinated by the Council's Treasury function. The Council and Pension Fund's reserves are also co-ordinated by the Council's Treasury function. This approach delivers a unified approach; ensures that all the funds benefit from the knowledge and experience of Council Officers; and provides useful comparisons.
- 2.2 The Charitable Trust's Funds, their managers, type of mandate and market value are listed below:

Manager	Mandate	Market Value (£m)	
		2009	2008
BGI	Equity	93	138
Insight	Bonds	45	45
Insight	Property	4	7
Record	Currency	2	3
		<u>144</u>	<u>193</u>

- 2.3 During 2008/09 the value of the Charitable Trust's funds decreased by £49 million.
- 2.4 In the main, this report concentrates on manager performance relative to the markets but we also need to consider the effect of any cash withdrawals or injections to the funds and the performance of the markets themselves. These influences can easily alter the absolute fund value.
- 2.5 The following table shows the effect on the fund due to withdrawals/additions and the market movement.

	SCT Funds £ million
As at 31.03.08	193
(Withdrawals)/Additions	(10)
Market Movement	(39)
<u>As at 31.3.09</u>	<u>144</u>

The above table shows the market movement has reduced the investments by £39 million during the year. Even though the Bond funds produced positive real returns this was severely outweighed by large falls in the equity markets, which made the overall market movement negative. The world economic crisis has created huge uncertainty and nervousness throughout all stock markets, and the reduced total fund value is a direct consequence of the current economic situation.

- 2.6 The 2008/09 market performance by asset class is set out below:

		%
Equities:	UK	-29.3
	North America	-14.0
	Europe	-31.1
	Japan	-10.6
	Pacific (Ex Japan)	-23.1
	Emerging	-26.3
Bonds:	UK	10.3
	Overseas	36.7
	Index-Linked	-1.3
Property		-25.5
Cash		3.6

As can be seen from the asset class returns in 2008/09 there are some markets that have fallen considerably, such as European equities down 31.1%. The fund manager has negligible influence over the market's return but they may be required by the mandate agreement to invest into these markets. The falls in real value during 2008/09 to some of the funds are mainly due to negative market returns. A fund manager is only asked to out perform the market return, i.e. in the European equity scenario if a fund manager is asked to return a 1% out performance this would equate to a -30.1% return, a poor real return but better than the European equity market. These scenarios can occur over short time periods.

- 2.7 This report reviews performance in 2008/09; a quick update for the first couple of months of this financial year 2009/10 shows a continuing poor global economic situation but we have seen a slight recovery in global stock markets from a low point in early March 2009. There are mixed views on whether the recent market recovery is sustainable or not but the consensus of opinion believes there will be a recovery underway by the end of 2009. In 2009/10 the stock markets have recovered some ground and at the 1st May the FTSE 100 was up 5.3% and the Charitable Trust had a value of £150 million.

3. Fund Manager Review

- 3.1 The rest of this report takes each mandate in turn and discusses manager performance.
- 3.2 A Fund Manager's performance is measured against a specific fund benchmark, which is made up of market indices of the countries where they invest.
- 3.3 A Fund Manager's target is a level of out performance above the benchmark that is seen as achievable with a low level of measured risk on a given mandate. The Manager will actively seek to produce investment returns in order to achieve the stated target. Performance at or above target is desirable but any returns above the benchmark will add value to the fund above the market return.
- 3.4 BGI – Equity Fund
- 3.4.1 BGI are the Charitable Trust's transition manager and in that role they have the capability to hold funds on a passive basis, i.e. track the market indexes. The Charitable Trust is currently making use of this facility after the decision to terminate Capital International's management of the mandate, and until an investment review is concluded and investment decisions acted upon.

- 3.4.2 BGI conducted the transfer of the assets from Capital International in 2008 and performance monitoring commenced on 1st October 2008.
- 3.4.3 This is a pure equity fund with a benchmark of 50% UK Equities and 50% Overseas Equities. As the fund is invested passively the benchmark and the target return are the same, i.e. one aim, the index return. For performance comparison purposes the fund return is compared against the benchmark return.
- 3.4.4 The following table sets out in summary the performance of BGI versus the benchmark return for 2008/09.

Fund Performance versus Benchmark

	Fund Return (%)	Performance v Benchmark (%)
Six months Oct 08 to March 09	-15.9	-0.3

The performance v benchmark figure gives the percentage that the fund has out or under performed the benchmark return (market indices).

- 3.4.5 The Equity fund with BGI decreased by 15.9% in 2008/09, which was 0.3% below the benchmark return. BGI have only managed this mandate for a very short period of time but the fund return is close to the benchmark return, which is the current aim of the fund.

3.5 Insight - Bonds

- 3.5.1 Insight Investment Management's bond and property funds were originally managed by Rothschild Asset Management in a multi asset mandate until the Rothschild family sold Rothschild Asset Management to Insight Investment Management in 2002/03, which is part of the Halifax Bank of Scotland Group.
- 3.5.2 Insight Investment Management's bond mandate started performance monitoring on 1st October 2003.
- 3.5.3 Insight's performance target for the Bond Fund is to beat a specific benchmark by 0.5% per annum.
- 3.5.4 The following table sets out in summary the performance of Insight versus the benchmark and the performance target in 2008/09, and also on a cumulative basis over a five-year investment period.

Bond Fund Performance versus Benchmark and Target

	Fund Return (%)	Performance v Benchmark (%)	Performance v Target (%)
2008/09	0.0	-2.7	-3.2
Five years 04/05 to 08/09	22.8	-2.7	-5.1

The performance v benchmark figure gives the percentage that the fund has out or under performed the benchmark return (market indices).

The performance v target figure gives the percentage that the fund has out or under performed their set target.

- 3.5.5 The Bond Fund with Insight returned 0.0% in 2008/09, which was 2.7% below the benchmark return and 3.2% below the target set by the Trust. This is a very disappointing performance by Insight given their previous good long-term performance with this mandate.
- 3.5.6 On a cumulative basis over the five-year rolling monitoring period Insight, due mainly to 2008/09 are 2.7% below the benchmark return. The fund over the five-year period has increased in value by 22.8%.

3.6 Property

- 3.6.1 The property fund is currently invested in the Lionbrook Property Unit Trust. The Charitable Trust's Property Fund was relatively small and Insight Investment Management were asked to hold this fund for the Trust when they acquired Rothschild. Insight Investment Management does not actively manage this fund so the performance figures are not a reflection of Insight's management but rather the performance of the Lionbrook Unit Trust.
- 3.6.2 The Property Fund returned -41.2% in 2008/09. This negative return is partly due to the ongoing economic credit crisis, which has had a negative knock on effect on property prices. The UK Property index return for 2008/09 was -24.6%.
- 3.6.3 The current position described in paragraph 3.6.1 above is somewhat cumbersome and has arisen, in part at least, from decisions made by others, mainly the sale of Rothschild Asset Management to Halifax Bank of Scotland. For this reason the Trustees reviewed the investment strategy and agreed to appoint a specialist property manager and 'piggyback' on the selection process that the Council undertook to choose a Property manager for its Pension Scheme. The Trust used the Council's selection process and invited the two finalists in that process to give presentations to the Trust for this mandate. The Trust appointed Goodman Property Managers but learned soon

after that they were in advanced negotiations to be purchased by Aberdeen Asset Managers. In light of this new information the Trustees retracted the appointment and instead appointed Schroders as the Trust's property manager.

- 3.6.4 Since the end of the 2008/09 financial year the Lionbrook Property Unit Trust has been transferred into an account which will be used by Schroders to reorganise the investment, to achieve a position where Schroders will take on the reorganised fund and manage it on a performance monitoring basis. This reorganised investment will form part of an eventual £20 million property fund. Transfers of money to Schroders will only be made when they find good investment opportunities.

3.7 Record Currency Management – Currency Mandate

- 3.7.1 Record was awarded this Currency Mandate in 2006 with the first investments commencing in October 2006. This mandate is a pure 100% active currency fund.
- 3.7.2 As this fund invests in currencies there is no standard benchmark that can be used to compare performance against. Record actually uses the monthly Sterling Inter-Bank Offered Rate (LIBOR) minus 0.10% as a performance target. This is the return which I will also review this mandate against, as it is an alternative cash rate to what could have been achieved if the investment was held in a cash product.
- 3.7.3 The following table sets out in summary the performance of Record versus the benchmark in 2008/09, and also on a cumulative basis since inception.

Currency Fund Performance versus Benchmark

	Fund Return (%)	Performance v Benchmark (%)
2008/09	-28.5	-31.3
Two and a half years Oct 06 – March 09	-40.2	-46.7

The performance v benchmark figure gives the percentage that the fund has out or under performed the benchmark return (Cash).

- 3.7.4 The Currency fund with Record decreased by 28.5% in 2008/09, which was 31.3% below the benchmark return. This is an extremely disappointing performance from Record.
- 3.7.5 Over the two and half year period of this mandate, the fund has decreased in total value by 40.2%, which is 46.7% below the benchmark return for the same period. The fund over the two

and half year period has fluctuated in value between +20% and -40%.

- 3.7.6 This investment is the Trust's smallest mandate, £3 million, due to the volatile nature of currency but Record use a very fixed investment process which has performed well over the long term and this investment was made with that long term investment view.
- 3.7.7 Due to the performance of this fund Record came to Shetland in February 2009 for a special review meeting. The investment and the fund manager were reviewed at that meeting and it was decided to stay with our initial investment view and give Record the long-term investment horizon that we normally give to external fund management investments. Nothing about the company had changed; the investment process, staff and their long-term belief in the currency markets were the same.
- 3.7.8 Record have also altered their investment management fee structure to put the Trust on a lower fee scale, along with a performance fee that only starts when the fund recovers all losses from inception. This effectively cuts the management fee by 42% until the fund is back to the initial investment level. Record are also giving the Trust the choice to opt out of performance fees, if the Trust wishes, once the fund has recovered all losses from inception.

4. Financial Implications

- 4.1 Performance by a Fund Manager will have long-term financial consequences for the Charitable Trust.
- 4.2 Long term positive absolute returns will benefit the capacity of the Trust to finance Trustees spending plans.
- 4.3 There are no decisions from this report, so there are no immediate financial consequences.

5. Policy and Delegated Authority

- 5.1 At the meeting of Trustees on 24 July 1996 the decision was taken to homologate actions taken by the Head of Finance (minute reference 48A/96) on most aspects of Fund Management subject to such actions being reported to the next meeting of Trustees. This report does not relate to any such actions, but gives Trustees the opportunity to review the performance of the Fund Managers.

6. Conclusions

- 6.1 The Charitable Trust is taking advantage of BGI's ability to hold the equity fund and invest it on an index tracking basis. This allows the Charitable Trust to conduct an investment review while continuing to achieve market returns. BGI have managed the fund for only six months and have, as expected, produced a return close to the markets they are investing in.
- 6.2 Insight under performed the benchmark and the target in 2008/09. Cumulatively over the five-year monitoring period they have, due to their performance in 2008/09, under performed the benchmark return. This past year has marred their long-term steady performance.
- 6.3 The Property market fell considerably in 2008/09 due to the economic crisis and the Lionbrook fund was no exception and suffered a 41% reduction in value. The Charitable Trust has now put in place a property fund manager to reorganise this unit trust investment, and to manage an active property fund for the future.
- 6.4 The Currency fund with Record has decreased by 28.5% in 2008/09. Record have reduced their fees and attended a review meeting to reassure the Charitable Trust of the long-term viability of their investment process. Currency is volatile and their investment process has not been immune to the effects of the economic crisis but Record use a strict investment process which has proved successful over the long term.
- 6.5 The Trust's fund managers have been investing in the global markets throughout 2008/09 as the world has witnessed an ever changing and astonishing global economic problem. This has created an extremely difficult period for investing, whether it was in equities, bonds, property or currency. None of the asset classes has escaped the uncertainty, volatility, limited credit facilities or the Government intervention to try and stabilise not only markets but economies as well. This is certainly reflected in the various fund returns stated in this report for 2008/09.
- 6.6 The Charitable Trust has always invested with a long-term investment view, intended to smooth out market returns to give a long-term overall positive return. This past year was exceptional in many ways and it is probably more important now to stay with the same investment view, which has proved successful. It is not appropriate to make decisions or changes concerning any of the fund managers in the present global economic situation based on 2008/09 performance returns.

7. Recommendations

- 7.1 I recommend the Charitable Trust note the performance of BGI in 2008/09.
- 7.2 I recommend the Charitable Trust note with dissatisfaction the performance of Insight Investment Management in 2008/09.

7.3 I recommend the Charitable Trust note with extreme dissatisfaction the performance of Record Currency Management and the Lionbrook Property Unit Trust in 2008/09.

Date: 19 May 2009

Rep No: F-019-F
CT0905039-F



REPORT

To: Shetland Charitable Trust

28 May 2009

From: Head of Finance

FUND MANAGER TRANSACTIONS

Report No: F-018-F

1. Introduction

1.1 Shetland Islands Council provides Treasury support to Shetland Charitable Trust under the terms of a Service Level Agreement (SLA).

2. Investment Decisions

2.1 Appendices A i) and A ii), attached, list the investment decisions made by Insight Investment Management Limited during the period from 1 February 2009 to 31 March 2009.

2.2 Appendices B i) and B ii), attached, list the investment decisions made by Barclays Global Investors during the period from 1 February 2009 to 31 March 2009.

2.3 These appendices list purchases in order of transaction size and sales in order of the size of the gain or loss made on the transaction.

2.4 The Fund Managers make investment decisions based on the terms of Investment Management Agreements.

3. Movement on Charitable Trust Funds

3.1 The following table shows the movement on the Charitable Trust funds for the full 2008/09 financial year and the current financial year to date:

2008/09 to 31 Mar 2009		2009/10 to 1 May 2009	
	£ million		£ million
Market Value at start	193.4	Market Value at start	143.1
Market Movement	(40.8)	Market Movement	6.5
Injection/(Withdrawal)	(9.6)	Injection/(Withdrawal)	
Market Value at close	<u>143.1</u>	Market Value at close	<u>149.6</u>

(These are unaudited figures and are for guidance only.)

4. Recommendation

4.1 The Trustees are asked to note this report.

Date: 11 May 2009

Our Ref: AWM/IA7

Report No: F-018-F/ CT0905040

P

INSIGHT INVESTMENT MGMT REPORT - PURCHASES

NAME OF SECURITY	AREA	DATE	NUMBER OF UNITS	PURCHASE PRICE (£)
	QF = quoted fixed UF = unquoted fixed			
UNITED KINGDOM				
UK(GOVT OF) 4.25% STK 07/12/2055 GBP100	QF GB GB	17-Feb-09	1,796,000.00	1,862,452.00
ILF GBP LIQUIDITY FD	DEP	19-Mar-09	1,300,000.00	1,300,000.00
UK(GOVT OF) 4.5% GILT 07/03/13 GBP0.01	QF GB GB	11-Feb-09	596,000.00	644,097.20
ILF GBP LIQUIDITY FD	DEP	09-Mar-09	620,000.00	620,000.00
UK(GOVT OF) 4.75% STK 07/12/38 GBP100	QF GB GB	09-Mar-09	517,500.00	593,055.00
UK(GOVT OF) 4.75% STK 07/12/38 GBP100	QF GB GB	06-Mar-09	517,500.00	572,246.33
ILF GBP LIQUIDITY FD	DEP	19-Feb-09	450,000.00	450,000.00
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	25-Feb-09	156,000.00	384,072.00
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	06-Mar-09	142,000.00	347,190.00
UK(GOVT OF) 2.5% I/L STK 20/05/09 GBP	QF GIL GB	11-Feb-09	116,000.00	322,978.80
ILF GBP LIQUIDITY FD	DEP	24-Feb-09	300,000.00	300,000.00
UK(GOVT OF) 4.5% GILT 07/03/13 GBP0.01	QF GB GB	18-Feb-09	274,000.00	298,660.00
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	12-Feb-09	269,000.00	291,459.76
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	11-Feb-09	268,000.00	288,597.95
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	10-Feb-09	105,000.00	286,545.00
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	12-Mar-09	90,000.00	250,425.00
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	09-Mar-09	75,000.00	183,000.00
UK(GOVT OF) 2% I/L STK 26/01/35 GBP100	QF GIL GB	10-Mar-09	118,000.00	168,504.00
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	13-Mar-09	60,000.00	168,138.00
ILF GBP LIQUIDITY FD	DEP	18-Mar-09	150,000.00	150,000.00
UK(GOVT OF) 4.5% GILT 07/03/13 GBP0.01	QF GB GB	23-Feb-09	134,000.00	146,013.10
ILF GBP LIQUIDITY FD	DEP	10-Feb-09	140,000.00	140,000.00
UK(GOVT OF) 2.5% I/L STK 20/05/09 GBP	QF GIL GB	11-Feb-09	45,000.00	125,370.00
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	05-Feb-09	101,000.00	107,980.50
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	27-Feb-09	44,000.00	107,580.00
UK(GOVT OF) 1.125% I/L STK 22/11/37 GBP100	QF GIL GB	03-Feb-09	89,000.00	99,653.21
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	09-Mar-09	35,000.00	85,400.00
ILF GBP LIQUIDITY FD	DEP	30-Mar-09	60,000.00	60,000.00
ILF GBP LIQUIDITY FD	DEP	16-Feb-09	30,000.00	30,000.00
UK(GOVT OF) 1.125% I/L STK 22/11/37 GBP100	QF GIL GB	05-Feb-09	12,000.00	12,966.42
EURO INV BANK 2.6% IDX LKD 16/8/13 GBP	QF GIL XB	11-Mar-09	1,000.00	1,208.32
ARTESIAN FINANCE 3.625% NOTES 30/9/32 GBP100	QF CIL GB	11-Mar-09	1,000.00	1,159.12
ILF GBP LIQUIDITY FD	DEP	02-Feb-09	426.74	426.74
ILF GBP LIQUIDITY FD	DEP	02-Mar-09	381.56	381.56
TOTAL UNITED KINGDOM				10,399,560.01

OVERSEAS

UNITED STATES TREAS BD STRIPPED PRIN PMT00074 0 QF GB US		18-Feb-09	1,025,200.00	278,536.20
UNITED STATES TREAS BD STRIPPED PRIN PMT00074 0 QF GB US		18-Feb-09	1,018,800.00	276,204.17
UNITED STATES TREAS BD STRIPPED PRIN PMT00074 0 QF GB US		24-Feb-09	1,258,000.00	329,278.63
UNITED STATES TREAS BDS DTD 00206 4.5% DUE 05-11 QF GB US		17-Mar-09	2,186,000.00	1,754,487.41

TOTAL

2,638,506.41

INSIGHT INVESTMENT MGMT REPORT - SALES

NAME OF SECURITY	AREA	DATE	NUMBER OF UNITS	SELLING PRICE (£)	PROFIT/ (LOSS) (£)
	QF = quoted fixed UF = unquoted fixed				
UNITED KINGDOM					
UK(GOVT OF) 4.5% GILT 07/03/13 GBP0.01	QF GB GB	17-Feb-09	1,696,000.00	1,850,675.20	39,654.70
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	06-Mar-09	231,000.00	564,795.00	21,770.78
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	10-Feb-09	117,000.00	286,182.00	14,720.06
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	09-Mar-09	134,369.00	328,196.28	11,359.46
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	06-Mar-09	66,000.00	186,450.00	10,624.68
UK(GOVT OF) 2.5% I/L STK 26/07/16 GBP	QF GIL GB	11-Feb-09	105,000.00	288,330.00	10,118.64
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	09-Mar-09	64,000.00	179,616.00	9,118.72
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	12-Mar-09	103,000.00	251,165.50	8,295.55
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	09-Mar-09	96,631.00	235,779.64	7,927.54
BOS(SHARED APP) A/BKD FRN 7/2072 GBP(BR)	UF CB GB	27-Feb-09	9,997.75	20,873.62	6,272.12
UK(GOVT OF) 2.5% I/L STK 26/07/16 GBP	QF GIL GB	11-Feb-09	45,834.00	127,464.35	6,021.12
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	03-Feb-09	40,000.00	98,800.00	5,992.50
UK(GOVT OF) 2.5% I/L STK 16/8/13 GBP	QF GIL GB	13-Mar-09	69,000.00	167,504.40	4,805.11
UK(GOVT OF) 4.25% STK 07/12/2055 GBP100	QF GB GB	23-Feb-09	436,000.00	448,426.00	4,687.20
UK(GOVT OF) 4.25% STK 07/12/2055 GBP100	QF GB GB	17-Mar-09	457,045.00	469,513.19	4,355.85
UK(GOVT OF) 2.5% I/L STK 23/08/11 GBP	QF GIL GB	11-Feb-09	111,000.00	318,947.40	3,068.32
UK(GOVT OF) 4.25% STK 07/12/2055 GBP100	QF GB GB	18-Mar-09	984,881.00	1,004,381.64	2,019.46
UK(GOVT OF) 4.5% GILT 07/03/13 GBP0.01	QF GB GB	09-Feb-09	150,000.00	161,610.00	1,772.55
UK(GOVT OF) 4.5% GILT 07/03/13 GBP0.01	QF GB GB	17-Mar-09	150,000.00	162,075.00	1,409.69
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	09-Mar-09	77,000.00	83,519.09	180.57
UK(GOVT OF) 2.5% I/L STK 20/05/09 GBP	QF GIL GB	12-Feb-09	104,000.00	289,744.00	180.29
UK(GOVT OF) 4.5% STK 07/12/2042 GBP100	QF GB GB	11-Feb-09	386.00	400.09	12.95
ILF GBP LIQUIDITY FD	DEP	23-Feb-09	550,000.00	550,000.00	0.00
ILF GBP LIQUIDITY FD	DEP	25-Feb-09	350,000.00	350,000.00	0.00
ILF GBP LIQUIDITY FD	DEP	10-Mar-09	30,000.00	30,000.00	0.00
ILF GBP LIQUIDITY FD	DEP	11-Mar-09	580,000.00	580,000.00	0.00
ILF GBP LIQUIDITY FD	DEP	20-Mar-09	1,320,000.00	1,320,000.00	0.00
ILF GBP LIQUIDITY FD	DEP	23-Mar-09	70,000.00	70,000.00	0.00
UK(GOVT OF) 2.5% I/L STK 20/05/09 GBP	QF GIL GB	27-Feb-09	39,000.00	108,517.50	-68.89
UK(GOVT OF) 2.5% I/L STK 20/05/09 GBP	QF GIL GB	06-Mar-09	57,000.00	158,574.00	-129.19
UK(GOVT OF) 2.5% I/L STK 20/05/09 GBP	QF GIL GB	25-Feb-09	137,000.00	381,243.60	-200.91
UK(GOVT OF) 4.25% STK 07/12/2055 GBP100	QF GB GB	18-Mar-09	270,074.00	274,530.22	-337.47
UK(GOVT OF) 4.25% TSY GILT 07/12/49 GBP	QF GB GB	18-Feb-09	793,000.00	813,221.50	-7,137.00
UK(GOVT OF) 1.125% I/L STK 22/11/37 GBP100	QF GIL GB	10-Mar-09	163,000.00	168,811.15	-7,872.33
UK(GOVT OF) 4.25% TSY GILT 07/12/49 GBP	QF GB GB	11-Feb-09	660,000.00	652,410.00	-30,360.00
TOTAL UNITED KINGDOM				12,981,756.37	128,262.07
OVERSEAS					
FRANCE(GOVT OF) 1.8% I/L OATEI 25/07/40 EUR1	QF GIL FR	05-Feb-09	14,000.00	11,310.35	1,719.19
FRANCE (GOVT OF) OAT INDEX-LINKED 3.15% 25/07/203	QF GIL FR	05-Feb-09	91,000.00	83,936.03	-186.11
TOTAL OVERSEAS				95,246.38	1,533.08

BGI REPORT - PURCHASES

NAME OF SECURITY	AREA QE = quoted equity UE = unquoted equity	DATE	NUMBER OF SHARES	PURCHASE PRICE (£)
UNITED KINGDOM				
BARCLAYS GBL INV CHARITRAK COMMON INVESTINC	UE UT GB	02-Feb-09	259,629.71	1,830,000.00
TOTAL UNITED KINGDOM				<u>1,830,000.00</u>
OVERSEAS				
BARCLAYS GBL INV IDX SELECTION EURO EX UK AC	UE UT IE	02-Mar-09	109,980.16	856,000.00
BARCLAYS GBL INV INDEX SELECTION JAPAN IDX	UE UT IE	02-Mar-09	170,932.35	748,000.00
BARCLAYS GBL INV BGI NORTH AMERICAN IDX NAV	UE UT IE	04-Mar-09	3,564.07	18,517.00
TOTAL OVERSEAS				<u>1,622,517.00</u>

BGI REPORT - SALES

NAME OF SECURITY	AREA QE = quoted equity UE = unquoted equity	DATE	NUMBER OF SHARES	SELLING PRICE (£)	PROFIT/ (LOSS) (£)
UNITED KINGDOM					
BARCLAYS GBL INV CHARITRAK COMMON INVESTINC	UE UT GB	02/03/2009	-253,104.63	1,604,000.00	-808,006.95
TOTAL UNITED KINGDOM				<u>1,604,000.00</u>	<u>-808,006.95</u>
OVERSEAS					
BARCLAYS GBL INV INDEX SELECTION JAPAN IDX	UE UT IE	02/02/2009	-166,103.72	572,785.90	-277,503.31
BARCLAYS GBL INV BGI NORTH AMERICAN IDX NAV	UE UT IE	02/02/2009	-171,121.30	627,096.36	-579,690.29
TOTAL				<u>1,199,882.26</u>	<u>-857,193.59</u>

REPORT

To: Shetland Charitable Trust

28 May 2009

From: Financial Controller

Report No: CT0905041

MANAGEMENT ACCOUNTS – TWELVE MONTHS ENDED 31 MARCH 2009

1 Introduction and Key Decisions

- 1.1 This report presents the Trust's Management Accounts to the end of March 2009, for noting. These Management Accounts deal with revenue budgets and expenditure.

2 Management Accounts

- 2.1 Table 1 below shows the Summary Budget for the Charitable Trust for 2008/09, and the expenditure in the twelve months to 31 March 2009.

Table 1: Summary Management Accounts 2008/09

Item	Current Budget £m	Spend to Dec 08 £m
Charitable Expenditure		
Programmes and Organisations	10.6	10.6
Maintenance Programme	1.5	1.2
Operating Costs	0.6	0.5
Total	12.7	12.3

- 2.2 A more detailed analysis of the expenditure programmes is set out in Appendix 1.
- 2.3 The total budget for Programmes and Organisations is £10.6 million, all of which has been spent to date. Where the running costs of projects are greater than £20,000, grant assistance is paid out in 2 stages - the first payment is made in April and the second in October (subject to a review of the organisation's accounts from the previous year).
- 2.4 The Maintenance Funding Programme includes £0.9 million, which is paid to the major Trusts in two instalments with 50% of the budget

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being paid at the beginning of the year on submission of their maintenance programme for the year. The second instalment will be paid on receipt of a satisfactory statement of the first six months' expenditure.

- 2.5 Table 2 below sets out the revisions/enhancements to the original budget for 2008/09 to give the current budget.

Table 2: Budget Enhancements

Original Budget	Presented 14 February 2008	12,018,588
Additional Funding	Approved 14 February 2008 Citizens Advice Bureau	15,135
Additional Budget	Approved 26 March 2008 Shetland Churches Council Trust	53,669
Enhancements	Approved 21 May 2008 Cost of Change (Trusts) Rural Care Home BMS Rural Care Homes Fire Upgrades Social Assistance Community Alarm Independence at Home	50,000 7,000 450,000 2,000 23,865 74,466
Additional Budget	Approved 19 February 2009 Shetland Recreational Trust Shetland Arts	86,900 15,000
Revised budget	as at 31 March 2009	<u>12,796,623</u>

3 Financial Implications

- 3.1 No direct financial implications flow from this information report.

4 Recommendations

- 4.1 I recommend that Trustees note the satisfactory financial performance to March 2009, as shown in the Management Accounts in Appendix 1.

Financial Controller
Shetland Charitable Trust
Our Ref:LF/DA5

Report No: CT0905041
Date: 15 May 2009

Shetland Charitable Trust Management Accounts
Charitable Expenditure : Period to 31 March 2009

Append

	Current budget £	Actual spend March £	year to date variance £
<u>Charitable Organisations</u>			
Shetland Amenity Trust	1,056,299	1,056,300	-1
Shetland Arts Development Agency	769,513 *	769,514	-1
Shetland Field Studies Service	35,097	27,199	7,898
Shetland Recreational Trust	3,031,904 *	3,031,904	0
Shetland Youth Information Service	183,840	183,840	0
COPE Limited	145,034	145,034	0
Citizens Advice Bureau	145,150 *	145,150	0
Voluntary Services Resource Centre	152,631	152,631	0
Shetland Churches Council Trust	53,669	53,669	0
SCSS - Childrens Befriending Scheme	54,571	54,571	0
SCSS - New Shetlander	1,566	1,566	0
Disability Shetland Recreation Club	12,933	12,933	0
Womens Royal Voluntary Service	54,515	54,515	0
The Swan Trust	47,900	47,900	0
Shetland Link Up	47,669	47,669	0
Shetland Link Up - Art Therapy	25,555	25,555	0
Relate Shetland	12,000	12,000	0
Cost of change (Trusts)	50,000 *	25,244	24,756
Sub Total Charitable Organisations	5,879,846	5,847,194	32,652
<u>Projects</u>			
Independence at Home Scheme	74,466 *	24,993	49,472
Community Alarm Scheme	120,865 *	119,956	909
Xmas grant Scheme	1,125,500	1,177,255	-51,755
Equalisation of Charges	3,129,656	3,129,656	0
Community Development Grants	17,785 *	17,785	0
Community Support Grants	69,219 *	69,219	0
Festival Grants	28,800	28,800	0
Arts Grant Scheme	38,467 *	21,687	16,780
Social Assistance Grants	55,060 *	32,874	22,186
Senior Citizens Clubs	24,480	21,292	3,188
Buses for Elderly and Disabled	49,000	48,000	1,000
Local Charitable Organisations	10,000	9,860	140
Sheltered Housing Heating	25,500	25,500	0
Employment of Disabled	10,850	7,197	3,653
Springfield Running costs	2,000	2,853	-853
Sub Total Projects	4,781,648	4,736,928	44,720

Shetland Charitable Trust Management Accounts
Charitable Expenditure : Period to 31 March 2009

Append

	Current budget £	Actual spend March £	year to date variance £
<u>Property Advice & Maintenance</u>			
PMP - Contingency	25,000	409	24,591
Shetland Amenity Trust	277,130	277,130	0
Shetland Arts (including Weisdale Mill)	63,000	45,445	17,555
Shetland Recreational Trust	605,712	605,712	0
Market House	8,000	25,433	-17,433
Swan Trust	20,500	20,500	0
Rural Care Homes Fire Safety	450,000 *	242,398	207,602
Rural Care Homes Building Mgmt System:	7,000 *	10,862	-3,862
Springfield Chalet	1,500	1,113	387
Property Advice	49,942	49,942	0
Total Property Advice & Maintenance	1,507,784	1,278,942	228,842
Refunded Surplus Running Cost Grants		-88,235	88,235
IAHS Refunds		-3,396	3,396
Recovery of ex-SAT loans		-400	400
OVERALL TOTAL	12,169,278	11,771,033	398,245
Management & Admin	605,345	522,047	83,298
Maintenance 22-24 North Road	22,000	8,196	13,804
Contingency	0 *	0	0
Total	12,796,623	12,301,276	495,347

* These budgets have been modified by subsequent decisions of the Trust

**Shetland Charitable Trust Management Accounts
Management and Administration: Period to 31 March 2009**

Appendix 1

	Current Budget £	Actual Spend to 31 March £	Variance £
Staffing Costs			
Basic Pay and Allowances	351,320	264,409	86,911
Professional Membership Fees	2,000	1,143	857
Travel and Mileage	4,000	4,664	-664
Training and Staff Development	12,000	8,781	3,219
Sub Total Staffing Costs	369,320	278,996	90,324
Operating Costs			
Insurance	6,000	12,559	-6,559
Administration	10,000	3,109	6,891
Supplies and Services	9,000	7,654	1,346
Bank Charges	2,000	1,004	996
Professional Fees: Other	10,000	9,178	822
Miscellaneous Items	1,000	1,168	-168
External Audit Fees	18,000	30,385	-12,385
Trustees Allowances	7,500	9,321	-1,821
Trustees Expenses	6,500	1,837	4,663
Legal Fees	10,000	69,868	-59,868
Sub Total Operating Costs	80,000	146,084	-66,084
Property Costs			
Energy Costs	5,000	4,384	616
Pitt Lane	20,000	8,847	11,153
Cleaning	7,000	6,780	220
Sub Total Property Costs	32,000	20,012	11,988
Sub Total Direct Costs	481,320	445,092	36,228
Bought In Services			
Finance	55,350	42,594	12,756
Internal Audit	12,300	2,938	9,363
Personnel Advice	3,075	2,559	516
Committee Services	12,300	11,750	550
Computer Services	34,850	17,115	17,735
Sub Total Bought In Services	124,025	76,955	47,070
Grand Total	605,345	522,047	83,298

REPORT

To: Shetland Charitable Trust

28 May 2009

From: General Manager

Report No. CT0905042

RECOMMENDED DISBURSEMENTS – APPROVALS

1. Background

- 1.1 On 8 February 2006, Trustees approved a report which authorised the then Head of Service – Community Development to act on behalf of the Trust and approve applications for community arts grants to organisations and individuals operating within Shetland. (Min. Ref. CT/02/06)
- 1.2 It is a requirement that all approvals are reported to subsequent Trust Meetings.

2. Community Arts Grants

2008/ 2009 - £280

2009/ 2010 - £799

- 2.1 The following community arts grants were approved by the Head of Service, Community Development in the period from 7 March to 8 May 2009: -

Name of Organisation/ Individual	Grant Approved (£)
<u>2008/ 2009</u>	
Ms Joy Duncan	160
Mr David Marsh	120
<u>2009/ 2010</u>	
Shetland Needleworkers	471
Mrs Marlene Hunter (on behalf Arran Hunter)	328

3. Recommendation

- 3.1 Trustees are asked to note the approvals listed in paragraph 2.1.

Date: 18 May 2009
Our Ref: AW/DA1

REPORT**To:** Shetland Charitable Trust

28 May 2009

From: Financial Controller

Report: CT0905038

Wind Up of SICCT 1976**1. Introduction**

- 1.1 The final transactions in the life of SICCT 1976 occurred on 31 March 2009, leaving SICCT 1976 with no assets and no liabilities.
- 1.2 All that remains is to formally notify the Office of the Scottish Charity Regulator (OSCR) that the final assets of SICCT 1976 have been paid over or assigned to Shetland Charitable Trust, in accordance with the process agreed with OSCR. OSCR will remove SICCT 1976 from the register of Scottish Charities and the underlying trust can then be dissolved.

2. Background

- 2.1 SICCT 1976 is the forerunner to the current Shetland Charitable Trust. When it was set up in 1976 it was believed that there were tax and/or legal reasons for it to be restricted to only accumulating income for 21 years.
- 2.2 A new trust, now called Shetland Charitable Trust, was set up in 1997 under a Trust Deed that mirrored closely the terms of the Trust Deed for SICCT 1976. However, the restriction on accumulating income was no longer required.
- 2.3 Although most of the assets of SICCT 1976 were quickly transferred to Shetland Charitable Trust in 1997 or 1998, certain assets remained with SICCT 1976. The largest, in monetary terms, were the agricultural loans in SICCT 1976 (from 1997 and before). It was felt that there would be a good deal of expense in legally assigning the loans from SICCT 1976 to Shetland Charitable Trust, particularly where security was held over the land. The decision was taken to retain SICCT 1976 until the relevant agricultural loans were repaid.

51
The last invoice for the last SICCT 1976 agricultural loan was raised in March 2009.

- 2.4 The legal ownership of the Golf Course was changed from SICCT 1976 to Shetland Charitable Trust, after eventually clarifying the boundaries. By March 2009 the only remaining asset of SICCT 1976 was a balance due to it from Shetland Charitable Trust of nearly £3 million. This balance had arisen as from time to time SICCT 1976 had lent the Shetland Charitable Trust, at 0% interest, the cash flowing into SICCT 1976 from the repayment of agricultural loans. Shetland Charitable Trust made a payment to SICCT 1976 on 30 March 2009 to clear this balance.
- 2.5 Finally on 31 March 2009, SICCT 1976 paid over £3,022,945.89 to Shetland Charitable Trust, leaving SICCT 1976 with no assets and no liabilities. This sum will be shown as a donation in Shetland Charitable Trust's accounts.

3. Conclusion

- 3.1 SICCT 1976 was set up in a way that meant it could no longer accumulate income after 1997. This Trust was set up as a successor. The final assets of SICCT 1976 have been transferred to Shetland Charitable Trust. At close of business on 31 March 2009, SICCT 1976 had no assets or liabilities. The remaining steps of the wind up are the removal from the Register of Scottish Charities and the final dissolution of the Trust

4. Financial Implications

- 4.1 Formally Shetland Charitable Trust received a donation of just over £3 million from SICCT 1976 on 31 March 2009.

5. Recommendation

- 5.1 I recommended that Trustees note the receipt of a donation of £3,022,948.89 from SICCT 1976 and that SICCT 1976 has no activities, assets or liabilities as at 31 March 2009.

Reference: JPG/ma/TA15

Report Number CT0905038