

Chief Executive: Dr Ann Black

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If calling please ask for
Edna Flaws
Direct Dial: 01595 744994

Our Ref: EM/TA48

Date: 3 February 2021

Dear Sir/Madam

You are invited to the following meeting:

Shetland Charitable Trust
Thursday 11 February 2021 at 11.00am

Apologies for absence should be notified to Lynne Geddes on 01595 744592.

(Please note that this meeting will be held remotely via Zoom conference call, and joining instructions will be sent to you separately)

Yours faithfully

(signed) Dr Ann Black
Chief Executive

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of Interest - Trustees are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Trustee making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.

(d) Confirm minutes of meeting held on 26 November 2020 (enclosed).

For Decision

1. Main Grant Scheme 2021/22 – Service Targets. *Report enclosed.*

For Information

2. Investment Performance Update – Nine Months to 31 December 2020. *Report enclosed.*

3. Management Accounts – Nine Months to 31 December 2020. *Report enclosed.*

4. Capital Works Bridging Loan Scheme Update. *Report enclosed.*

*The following items contain **CONFIDENTIAL** information*

For Decision

5. Reappointment of Trustee. *Report enclosed.*

6. Strategic Risk Management – Annual Review. *Report enclosed.*

7. SCT Renewables Limited. *Report enclosed.*

For Information

8. Deeds Executed. *Report enclosed.*

9. Update from Chairs of Advisory Committees.

10. Update from Subsidiary Companies.

REPORT

To: Shetland Charitable Trust

Date: 11 February 2021

From: Chief Executive

Report: CT2102001

Main Grant Scheme 2021/22 - Service Targets

1. Introduction

- 1.1 The purpose of this report is to seek Trustee approval for the preparation and issue of Grant Offer Letters for 2021-22, which set out the outcomes, activities and evaluation of the services and standards expected to be received for the grants awarded for each organisation.

2. Background

- 2.1 At their meeting on 26 November 2020, Trustees approved the Main Grant Scheme disbursements for 2021-22 (CT2011032). The budget report set out recommended disbursements for 2021-22.
- 2.2 As noted in section 3.6 of that report the service outcome targets for the organisations were yet to be agreed.

3. Present Position

- 3.1 Outcomes, activities and the evaluation plans for each organisation have been prepared.
- 3.2 For the new Main Grant Scheme, the Trust has sought to move the targets away from activity based reporting to outcome based reporting. The evaluation plan for each is essential to demonstrate that these outcomes are meaningful and measurable.
- 3.3 Significant progress has been made with organisations to deliver this change in approach, and a consistent methodology is now in place. However, work will continue to improve and refine these for the next disbursement cycle.
- 3.4 The General Purposes Advisory Committee (GPAC) have oversight for the Service Targets and they are satisfied with the methodology and consistent approach adopted. These were considered by the GPAC at their meeting of 21 January 2021 and were recommended for approval.
- 3.5 A spot check has also be undertaken by the Chair of the Audit and Governance Advisory Committee.

4. Financial Implications

- 4.1 There are no financial implications as the budgets were previously agreed at the meeting on 26 November 2020 (CT2011026).
- 4.2 The Trust requires that all organisations demonstrate financial stability before the payment of their grant award.

5. Recommendation

- 5.1 Trustees are asked to approve the preparation and issue of Grant Offer Letters for 2021-22, which set out the outcomes, activities and evaluation of the services and standards expected to be received for the grants awarded for each organisation.

Reference: D32/2

Report Number: CT2102001

REPORT

To: Shetland Charitable Trust

Date: 11 February 2021

From: Chief Executive

Report: CT2102002

Investment Performance Update – Nine Months to 31 December 2020

1. Introduction

- 1.1 The Trust's external investments are managed on its behalf by fund managers. The purpose of this report is to review investment performance for the nine months to 31 December 2020.

2. Market Performance

- 2.1 Over the final quarter of 2020, equity markets continued their strong recovery. US Markets were close to an all-time high with Japan also performing extremely strongly.
- 2.2 Performance of the equity markets in the UK and Europe continued to lag other regions.

3. Overall External Fund Performance

- 3.1 This report concentrates on the nine months from April 2020 to December 2020. However, as the Trust is a long-term investor, the report also considers the performance over one and three years.
- 3.2 The Trust has four fund managers with total investments under management at the end of December 2020 of £457.5 million. During the period, funds of £4.5 million were recalled to meet the cost of disbursements. In addition, a further £2.6m was recalled from Baillie Gifford and invested with Schroders. The funds, type of mandate and market values at the end of December 2020 are as follows:

Manager	Mandate	Market Value Dec 2020 (£m)	% of Reserves
Baillie Gifford	Active Equities	281.1	61.4
BlackRock	Passive Equities	90.4	19.8
Schroders	UK Property	54.6	11.9
Insight	Diversified Growth	31.4	6.9
Total		457.5	100.0

- 3.3 The return on the Trust's external investments over the nine-month period was 53.6%. The nine-month period has seen extraordinary growth, however the true economic impact of the COVID 19 crisis is yet to be seen. There remains great uncertainty both economically and socially in the short term.
- 3.4 The Trust's Financial Plan 2020-25 assumes a medium term return of 6.5% per annum. This is the return the Trust seeks over the medium term to meet its planned expenditure and to preserve the value of reserves in real terms.
- 3.5 The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against the combined benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	53.6	22.7	30.9
1 Year	45.7	5.1	40.6
3 Years	20.5	5.8	14.7

- 3.6 Overall, the Trust's external investments have exceeded the benchmark return for each period and have met the Financial Plan assumed return.
- 3.7 The positive return over the last 12 months continues to be driven by the performance of Baillie Gifford.

4. Fund Manager Performance Baillie Gifford

- 4.1 Baillie Gifford has an active equity mandate which invests in around 30-50 shares throughout the world. The benchmark for Baillie Gifford is the MSCI All Country World Index.
- 4.2 Detailed below is Baillie Gifford's performance for the last nine months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	89.5	34.1	55.4
1 Year	96.4	12.7	83.7
3 Years	38.2	9.7	28.5

- 4.3 Baillie Gifford returned 89.5% over the nine months to 31 December 2020, compared to the broad market return of 34.1%, which was 55.4% above the benchmark return.

- 4.4 Baillie Gifford continue to deliver excellent returns for the Trust. Their concentrated portfolio of stocks has outperformed the market, as many of these companies have seen accelerated growth during the COVID 19 crisis.
- 4.5 Over the last three years, Baillie Gifford have returned 164.0%, equivalent to a return of 38.2% per annum.

5. Fund Manager Performance BlackRock

- 5.1 The fund with BlackRock is invested passively in equities, so the fund is aiming to equal the benchmark return. The benchmark for BlackRock is made up of the All Share Indices in each region the funds are invested in.
- 5.2 Detailed below is BlackRock's performance for the last nine months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	29.7	27.1	2.6
1 Year	4.9	0.1	4.8
3 Years	5.5	3.6	1.9

- 5.3 The mandate with BlackRock over the nine months to 31 December 2020 produced a return of 29.7%, matching the recovery in the world equities markets over the period.
- 5.4 Over the last three years, BlackRock have returned 17.4%, equivalent to a return of 5.5% per annum.

6. Fund Manager Performance Schroders

- 6.1 Schroders invests in property via a fund of funds approach where they invest in various different property funds to spread investment risk. The Benchmark for Schroders is the IPD UK All Balanced Fund Index.
- 6.2 Detailed below is Schroders' performance for the last nine months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	1.2	0.3	0.9
1 Year	0.0	(1.1)	1.1
3 Years	3.2	2.3	0.9

- 6.3 Over the nine months to 31 December 2020 Schroders have returned 1.2%, which was above the property benchmark. The UK property market remains stagnant with concerns on rent, rental growth and valuations. Uncertainty around Brexit had been the main

contributor to this stagnation, but this has been replaced in part by the concerns for the UK economy from the COVID 19 crisis.

- 6.4 Over the last three years, Schroders have returned 9.9%, equivalent to a return of 3.2% per annum.

7. Fund Manager Performance Insight

- 7.1 Insight has a diversified growth fund mandate, which invests into various different asset classes to spread risk and smooth returns. The benchmark return for Insight is an annual return of cash plus 4.0% over rolling five-year periods.
- 7.2 Detailed below is Insight's performance for the last nine months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	13.8	3.2	10.6
1 Year	(0.3)	4.4	(4.7)
3 Years	2.1	4.5	(2.4)

- 7.3 Overall Insight produced a return of 13.8% over the period, which was 10.6% above the benchmark return. Insight's portfolio has recovered well over the last nine months, but they remain behind the benchmarks over longer periods.
- 7.4 Over the last three years, Insight have returned 6.4%, equivalent to a return of 2.1% per annum.

8. Financial Implications

- 8.1 The long-term investments and their performance are important to the Trust and the achievements of its outcomes and objectives.
- 8.2 Trustees approved the Investment Plan 2020–25 at their meeting held on 12 September 2019. The Plan sets out the overarching investment approach of the Trust to ensure the long-term strategic and financial objective of achieving a self-sustaining Trust.
- 8.3 The Investment Plan for the Trust is overseen by the Investment Advisory Committee (IAC), who meet regularly and report to the Board of Trustees. It is recognised that the actual investment performance each year will be different to what is expected. The IAC monitor the medium to long-term performance against the Trust's objectives.

9. Recommendations

- 9.1 Trustees are asked to note this report.

REPORT

To: Shetland Charitable Trust

Date: 11 February 2021

From: Chief Executive

Report: CT2102003

Management Accounts – Nine Months to 31 December 2020

1 Introduction

1.1 The purpose of this report is to present Shetland Charitable Trust's (the Trust) Management Accounts for the nine months ended 31 December 2020, for noting. These Management Accounts deal with all income and expenditure of the Trust.

2 Management Accounts

2.1 Table 1 below shows the Summary Budget for the Trust for 2020/21 and the results in the nine months to 31 December 2020.

Table 1: Summary Management Accounts 2020/21

Item	Current Budget £m	Actual to Dec 2020 £m
Income	1.9	2.6
Disbursements	(8.2)	(8.3)
Management and Administration	(0.6)	(0.3)
Fund Managers Fees	(1.2)	(1.4)
Gain on Investments	18.4	159.6
Total	10.3	152.2

2.2 A more detailed analysis of the figures above is set out in Appendix A.

2.3 In the nine months ended 31 December 2020 the Trust made a gain on its investments of £159.6m.

3 Financial Implications

3.1 No direct financial implications flow from this information report.

4 Recommendations

4.1 Trustees are asked to note the Trust's satisfactory financial performance in the nine months ended 31 December 2020 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2102003



Shetland Charitable Trust

Management Accounts

9 Months Ended 31 December 2020

Shetland Charitable Trust
Income and Expenditure
Period to 31 December 2020

	9 Month Actual £	Annual Budget £	Variance £
<u>Income</u>			
Managed fund dividends	602,162	1,100,000	(497,838)
Managed fund interest	1,286,080	-	1,286,080
Agricultural loan interest	348	500	(152)
Local equity gift aid	190,000	-	190,000
Rental income	503,480	750,500	(247,020)
Bank interest	1,282	-	1,282
Miscellaneous income	-	-	-
	<u>2,583,352</u>	<u>1,851,000</u>	<u>732,352</u>
<u>Expenditure</u>			
Disbursements	(8,332,473)	(8,213,990)	(118,483)
Management and administration	(349,587)	(637,610)	288,023
Fund managers	(1,355,595)	(1,148,400)	(207,195)
	<u>(10,037,655)</u>	<u>(10,000,000)</u>	<u>(37,655)</u>
Gain on investments	159,587,598	18,400,000	141,187,598
Surplus/(Deficit)	<u>152,133,295</u>	<u>10,251,000</u>	<u>141,882,295</u>

Shetland Charitable Trust
Balance Sheet
Period to 31 December 2020

	Dec-20	
	£	£
Tangible fixed assets		173,000
Investments		<u>469,085,010</u>
		469,258,010
Trade debtors	64	
Prepayments and Accrued income	146,840	
Other debtors	621,784	
Bank	<u>557,470</u>	
	1,326,158	
Trade creditors	50,781	
Accruals and deferred income	1,061,852	
Other creditors	<u>(779)</u>	
	1,111,854	
Net current assets		<u>214,304</u>
		469,472,314
Pension liability		(1,648,000)
		<u>467,824,314</u>
Opening reserves		315,691,019
Surplus for period		<u>152,133,295</u>
Closing reserves		<u>467,824,314</u>

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Shetland Charitable Trust
Rental Income
Period to 31 December 2020

	<u>9 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	502,980	750,000	(247,020)
Shetland Golf Course	500	500	-
	<u>503,480</u>	<u>750,500</u>	<u>(247,020)</u>

Shetland Charitable Trust
Disbursements
Period to 31 December 2020

	9 Month Actual £	Annual Budget £	Variance £
Shetland Amenity Trust	1,142,988	1,142,988	-
Shetland Arts Development Agency	603,522	603,522	-
Shetland Recreational Trust	2,972,802	2,972,802	-
Support to Rural Care Model	1,986,188	1,986,188	-
<u>Other Revenue Grants</u>			
Ability Shetland Recreation Club	12,641	12,641	-
VAS - Shetland Befriending Scheme CYP	54,418	54,418	-
Citizens Advice Bureau	132,265	132,265	-
COPE Limited	154,967	154,967	-
Shetland Link Up	47,994	47,994	-
Voluntary Action Shetland	144,361	144,361	-
Shetland Samaritans	4,000	4,000	-
Royal Voluntary Service	46,985	46,985	-
Sub Total Charitable Organisations	7,303,131	7,303,131	-
<u>EOI Main Grant Scheme</u>			
Ability Shetland	34,594	-	-
Advocacy Shetland	35,000	-	-
British Red Cross	27,064	-	-
Citizens Advice Bureau	40,897	-	-
COPE	70,000	-	-
Gaada	49,400	-	-
Mind Your Head	61,240	-	-
Royal Voluntary Service	10,000	-	-
Shetland Care Attendant Scheme & VAS	39,708	-	-
Shetland Link Up	7,623	-	-
Shetland Rape Crisis	28,467	-	-
Shetland Women's Aid	70,000	-	-
The Swan Trust	14,000	-	-
VAS - Shetland Befriending Scheme 16+	7,000	-	-
Vountary Action Shetland	35,000	-	-
Sub Total EOI Grants	529,993	880,859	(350,866)
<u>Schemes</u>			
Arts Grant Scheme	-	15,000	(15,000)
Senior Citizens Clubs	-	15,000	(15,000)
Sub Total Schemes	-	30,000	(30,000)
<u>One Off Approved Grant</u>			
Shetland Health Board Endowment Fund - MRI Scanner Appeal	500,000	-	500,000
Surplus Grants Refunded	(651)	-	(651)
Total	8,332,473	8,213,990	118,483

Shetland Charitable Trust
Management and Administration Expenditure
Period to 31 December 2020

	9 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	209,367	308,000	(98,634)
Professional Membership Fees	183	700	(517)
Staff recruitment	-	1,000	(1,000)
Travel and Subsistence	699	7,500	(6,801)
Training and Staff Development	205	8,860	(8,655)
Sub Total Staffing Costs	210,454	326,060	(115,606)
Operating Costs			
Insurance	10,952	10,500	452
Administration	3,484	3,650	(166)
Supplies and Services	4,229	6,150	(1,921)
Bank Charges	177	250	(73)
Professional Fees	2,733	20,000	(17,267)
External Audit Fees	21,511	25,000	(3,489)
Financial advice	-	30,000	(30,000)
Trustees Expenses	-	4,000	(4,000)
Meeting expenses	272	3,000	(2,728)
Legal Fees	-	50,000	(50,000)
Trustee Recruitment Costs	-	2,500	(2,500)
Sub Total Operating Costs	43,358	155,050	(111,692)
Property Costs			
Energy Costs	1,224	8,000	(6,776)
Water Rates	630	1,400	(770)
Building Maintenance	39,741	51,000	(11,259)
Cleaning	105	2,000	(1,895)
Sub Total Property Costs	41,700	62,400	(20,700)
Bad debt write off	-	-	-
Reduction in Bad Debt Provision	-	-	-
Bought In Services			
Treasury	-	15,000	(15,000)
Payroll	-	750	(750)
Pension	-	2,000	(2,000)
Building Maintenance	46,400	47,000	(600)
Committee Services	-	7,200	(7,200)
Computer Services	-	4,400	(4,400)
Messenger Service	-	450	(450)
Peninsula	1,675	2,300	(625)
Public Relations	6,000	15,000	(9,000)
Sub Total Bought In Services	54,076	94,100	(40,024)
Total	349,587	637,610	(288,023)

Shetland Charitable Trust
Investment expenses
Period to 31 December 2020

	<u>9 Month</u> Actual £	<u>Annual</u> Budget £	<u>Variance</u> £
Management Expenses	230,156	-	230,156
Black Rock fees	72,004	107,000	(34,996)
Northern trust fees	36,800	46,400	(9,600)
Insight investment fees	98,446	148,000	(49,554)
Schroders fees	80,781	141,000	(60,219)
Baillie Gifford fees	837,408	706,000	131,408
	<u>1,355,595</u>	<u>1,148,400</u>	<u>207,195</u>

REPORT

To: Shetland Charitable Trust

Date: 11 February 2021

From: Chief Executive

Report: CT2102004

Capital Works Bridging Loan Scheme

1. Introduction

- 1.1 The purpose of this report is to provide Trustees with an update of the Capital Works Bridging Loan Scheme as at 31 October 2020.

2. Background

- 2.1 On 18 March 2010, Trustees agreed to provide short term bridging finance to community organisations undertaking capital projects. The interest free loans are used to alleviate cash flow problems when waiting for funding from EU, Scottish Government, SRDP, LEADER, ERDF and/or lottery grants to be received. (Min. Ref. CT15/10)
- 2.2 Funding for capital projects is often only released once work has been completed and invoices paid. This can create insurmountable cash flow burdens for some organisations.
- 2.3 A total of £1 million was set as the maximum available at any one time.
- 2.4 At the Trust meeting on 27 February 2020 it was noted that in future, only the projects relating to the current financial year would be reported on rather than including all the historical information.

3. Present Position

- 3.1 As at 1 April 2020, there were seven loans outstanding.
- 3.2 In the period 1 April 2020 to 31 January 2021, one organisation has fully repaid their loan and two organisations have made part repayments. A further one organisation has drawn down the final instalments of their approved loan.
- 3.3 As at 31 January 2021, six loans remained active with £621,784 due to be repaid to the Trust.

3.4 Appendix A lists the outstanding loans as at 31 January 2021.

3.5 Covid-19 has had an impact on some of these projects and their timeline for repayment, due to work being put on hold during the pandemic. The Trust is in contact with all organisations to receive updates on repayments.

4. Financial Implications

4.1 There are no new implications arising from this report. However, it should be noted that the provision of interest free loans means that the capital involved is not generating investment returns.

5. Conclusion

5.1 Six loans remain active and no new applications for bridging loans have been received this financial year.

6. Recommendation

6.1 Trustees are recommended to note this report.

Reference: D19

Report Number: CT2102004

Capital Works Bridging Loan Scheme Update

CT2102004 - Appendix A

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid £	Due to SCT £	Notes
Loans approved 2019/20						
Papa Stour History and Community Group	33,043	10,000	10,000	10,000	-	Repaid April 2020
Sandwick Social & Economic Development	149,300	75,000	75,000	35,000	40,000	Extension requested due to Covid-19
Scalloway Community Development Group	25,200	20,000	20,000	-	20,000	Repayment expected February 2021
Hillswick Wildlife Sanctuary	428,100	366,000	366,000	-	366,000	First repayment expected May 2021
Community Development Company of Nesting	211,377	175,985	175,985	125,985	50,000	Repayment expected September 2021
Foula Electricity Trust	86,201	25,000	25,000	-	25,000	Repayment expected March 2021
Fetlar Community Association	140,000	120,784	120,784	-	120,784	Extension requested due to Covid-19
TOTAL	1,073,221	792,769	792,769	170,985	621,784	