

**Chief Executive: Dr Ann Black**

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

Our Ref: TA48

Date: 1 February 2022

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Charitable Trust**  
**Thursday 10 February 2022 at 11.00am**

Apologies for absence should be notified to Edna Flaws on 01595 744994.

*(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 25 November 2021 (enclosed).

**For Decision**

1. Main Grant Scheme 2022/23 – Service Targets. *Report enclosed.*

**For Information**

2. Investment Performance Update – Nine Months to 31 December 2021. *Report enclosed.*

3. Management Accounts – Nine Months to 31 December 2021. *Report enclosed.*

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

The following items contain **CONFIDENTIAL** information

**For Decision**

5. Capital Grant Scheme. *Report enclosed.*

6. Main Grant Scheme Contingency Budget 2022/23. *Report enclosed.*

7. Advocacy Shetland. *Report enclosed.*

8. Shetland Women's Aid. *Report enclosed.*

9. Shetland Rape Crisis. *Report enclosed.*

10. Recruitment of Trustees. *Report enclosed.*

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

**For Information**

12. Waive of Grant Condition. *Report enclosed.*

13. Update from Chairs of Advisory Committees.

14. Update from Subsidiary Companies.

## REPORT

**To:** Shetland Charitable Trust

**Date:** 10 February 2022

**From:** Chief Executive

**Report:** CT2202001

### **Main Grant Scheme 2022/23 - 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 the Main Grant Scheme 2022/23, 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 25 November 2021, Trustees approved the Main Grant Scheme disbursements for 2022/23 (CT2111030). The budget report (CT2111024) set out the recommended budget for the 2022/23 disbursements.
- 2.2 As noted in section 3.4 of that report (CT2111030) 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 now been prepared.
- 3.2 For the 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) has oversight for the Service Targets and they are satisfied with the methodology and consistent approach adopted. These were considered by the GPAC at their meetings of 13 January 2022 and 27 January 2022, and were recommended for approval.

#### **4. Financial Implications**

- 4.1 There are no financial implications as the budgets were previously agreed at the meeting on 25 November 2021 (CT2111024).
- 4.2 The Trust requires that all organisations demonstrate financial stability before the payment of their grant award.

#### **5. Recommendation**

- 5.1 The General Purposes Advisory Committee recommend Trustees approve the preparation and issue of Grant Offer Letters for the Main Grant Scheme 2022/23, 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: CT2202001

## REPORT

**To:** Shetland Charitable Trust

**Date:** 10 February 2022

**From:** Chief Executive

**Report:** CT2102002

### Investment Performance Update – Nine Months to 31 December 2021

#### 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 2021.
- 1.2 This report has been prepared on an unaudited basis as the Northern Trust performance report to 31 December 2021 was not available at the time of writing.

#### 2. Market Performance

- 2.1 Over the final quarter of 2021, equity returns were broadly flat, with gains through October and early November, and then a decline towards the end of the year.
- 2.2 The decline in equities, and in particular growth stocks, has continued through January as inflation, the Covid 19 Omicron variant and political tensions have weighed heavily on the markets.
- 2.3 Property returns continue to bounce back from the "distress" in the market following Brexit and the Covid 19 crisis, with strong performance throughout 2021.

#### 3. Overall External Fund Performance

- 3.1 This report concentrates on the nine months from April 2021 to December 2021. 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 2021 of £487.9 million. During the period, funds of £25.9 million were disinvested from Baillie Gifford and £10.2 million and £15.7 million invested with Schrodgers and Insight respectively. The funds, type of mandate and market values at the end of December 2021 are as follows:

<b>Manager</b>	<b>Mandate</b>	<b>Market Value Dec 2021 (£m)</b>	<b>% of Reserves</b>
Baillie Gifford	Active Equities	260.4	53.3
BlackRock	Passive Equities	106.3	21.8
Schroders	UK Property	71.6	14.7
Insight	Diversified Growth	49.6	10.2
<b>Total</b>		<b>487.9</b>	<b>100.0</b>

3.3 The return on the Trust's external investments over the nine-month period was 11.3%. This strong gain has been seen across all asset classes and fund managers.

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:

<b>Annualised Performance over</b>	<b>Actual Return %</b>	<b>Benchmark Return %</b>	<b>Over/ (Under) Performance %</b>
9 Months	11.3	4.9	6.4
1 Year	8.7	10.5	(1.8)
3 Years	21.1	7.2	13.9

3.6 Overall, the Trust's external investments have exceeded the benchmark return for most periods and have met the Financial Plan assumed return. The return over the last 12 months is slightly below the benchmark.

#### **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.

<b>Annualised Performance over</b>	<b>Actual Return %</b>	<b>Benchmark Return %</b>	<b>Over/ (Under) Performance %</b>
9 Months	10.9	3.9	7.0
1 Year	4.3	5.5	(1.2)
3 Years	34.1	9.6	24.5

- 4.3 Baillie Gifford returned 10.9% over the nine months to 31 December 2021, compared to the broad market return of 3.9%, which was 7.0% above the benchmark return.
- 4.4 Baillie Gifford's performance has, perhaps not surprisingly, dipped from the extraordinary performance of the last eighteen months. This is reflected in their twelve-month return being 1.2% below the benchmark. However, the returns over longer periods still far exceeds broad market returns.
- 4.5 Over the last three years, Baillie Gifford has returned 141.1%, equivalent to a return of 34.1% per annum.

## 5. Fund Manager Performance BlackRock

- 5.1 In December, following the Investment Review undertaken in 2021, BlackRock's "whole market" passive equity fund was transferred to BlackRock's product, the iShares MSCI World SRI UCITS EFT.
- 5.2 This fund with BlackRock is invested passively in equities, but with a focus on "socially responsible investment" (SRI). The benchmark for this fund is the MSCI World SRI Select RFF Index.
- 5.3 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	14.0	11.3	2.7
1 Year	18.6	16.0	2.6
3 Years	11.5	8.9	2.6

- 5.4 The mandate with BlackRock over the nine months to 31 December 2021 produced a return of 14.0%, broadly matching the returns on world equities markets over the period.
- 5.5 Over the last three years, BlackRock have returned 38.6%, equivalent to a return of 11.5% 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	10.4	14.4	(4.0)
1 Year	11.8	16.8	(5.0)
3 Years	4.4	5.2	(0.8)

6.3 Over the nine months to 31 December 2021, Schroders have returned 10.4%, which was below the property benchmark. The UK property has market rebounded strongly during 2021.

6.4 Schroders' performance has lagged the benchmark as the Trust's portfolio contains a significant proportion of real estate debt. This provides a stable fixed return but is not represented in the benchmark currently used to monitor performance.

6.5 Over the last three years, Schroders have returned 13.6%, equivalent to a return of 4.4% 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	6.9	3.0	3.9
1 Year	7.2	4.0	3.2
3 Years	5.2	4.4	0.8

7.3 Overall Insight produced a return of 6.9% over the period, which was 3.9% above the benchmark return. Insight's portfolio has recovered well over the last eighteen months, and is now above the benchmarks over longer periods.

7.4 Over the last three years, Insight have returned 16.4%, equivalent to a return of 5.2% 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 Trust undertook an External Investment Review during 2021 and the recommendations of this review were approved at the Trust meeting held on 16 September 2021 (CT2109021). No changes were made to the Investment Plan 2020–25.
- 8.4 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.

Reference: IA7

Report Number: CT2202002



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## REPORT

To: Shetland Charitable Trust

Date: 10 February 2022

From: Chief Executive

Report: CT2202003

### Management Accounts – Nine Months to 31 December 2021

#### 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 2021, 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 2021/22 and the results in the nine months to 31 December 2021.

**Table 1: Summary Management Accounts 2021/22**

<b>Item</b>	<b>Annual Budget £m</b>	<b>Actual to Dec 2021 £m</b>
Income	1.8	2.6
Disbursements	(9.7)	(8.4)
Management and Administration	(0.7)	(0.4)
Fund Managers Fees	(1.6)	(1.4)
Gain on Investments	27.7	50
<b>Total</b>	<b>17.5</b>	<b>42.4</b>

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 2021 the Trust made a gain on its investments of £50m.

### **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 2021 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2202003



# Shetland Charitable Trust

## Management Accounts

9 Months Ended 31 December 2021

**Shetland Charitable Trust**  
**Income and Expenditure**  
**Period to 31 December 2021**

	<u>9 Month</u> Actual £	<u>Annual</u> Budget £	<u>Variance</u> £
<b><u>Income</u></b>			
Managed fund dividends	843,889	1,000,000	(156,111)
Managed fund interest	1,463,611	-	1,463,611
Agricultural loan interest	80	-	80
Local equity gift aid	-	-	-
Rental income	369,300	750,500	(381,200)
Bank interest	-	-	-
Miscellaneous income	-	-	-
	<u>2,676,880</u>	<u>1,750,500</u>	<u>926,380</u>
<b><u>Expenditure</u></b>			
Disbursements	(8,478,107)	(9,720,300)	1,242,193
Management and administration	(374,784)	(650,000)	275,216
Fund managers	(1,380,062)	(1,630,400)	250,338
	<u>(10,232,953)</u>	<u>(12,000,700)</u>	<u>1,767,747</u>
Gain on investments	49,925,538	27,700,000	22,225,538
<b>Surplus/(Deficit)</b>	<b><u>42,369,465</u></b>	<b><u>17,449,800</u></b>	<b><u>24,919,665</u></b>

**Shetland Charitable Trust**  
**Balance Sheet**  
**Period to 31 December 2021**

	Dec-21	
	£	£
Tangible fixed assets		98,000
Investments		<u>500,991,252</u>
		501,089,252
Trade debtors	52	
Prepayments and Accrued income	119,095	
Other debtors	910,250	
Bank	<u>834,359</u>	
	1,863,756	
Trade creditors	276,655	
Accruals and deferred income	1,009,515	
Other creditors	<u>(782)</u>	
	1,285,388	
Net current assets		<u>578,368</u>
		501,667,620
Pension liability		(2,500,000)
		<u>499,167,620</u>
Opening reserves		456,798,155
Surplus for period		<u>42,369,465</u>
Closing reserves		<u>499,167,620</u>

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**Shetland Charitable Trust**  
**Rental Income**  
**Period to 31 December 2021**

	<u>9 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	368,800	750,000	(381,200)
Shetland Golf Course	500	500	-
	<u>369,300</u>	<u>750,500</u>	<u>(381,200)</u>



**Shetland Charitable Trust  
Disbursements  
Period to 31 December 2021**

	9 Month Actual £	Annual Budget £	Variance £
<b><u>Main Grant Scheme</u></b>			
Ability Shetland	40,000	40,000	-
Alzheimer Scotland	22,900	22,900	-
British Red Cross	24,800	24,800	-
COPE Limited	225,000	225,000	-
Dogs Against Drugs	20,000	20,000	-
Gaada	50,000	50,000	-
Mind Your Head	75,000	75,000	-
Moving On	35,000	35,000	-
NSPCC Scotland	4,000	4,000	-
OPEN Project	31,200	31,200	-
Relationships Scotland - Shetland	14,900	29,800	(14,900)
Royal Voluntary Service	62,600	62,600	-
Shetland Amenity Trust	1,171,600	1,171,600	-
Shetland Arts Development Agency	650,000	650,000	-
Shetland Befriending Scheme - 16+	12,700	12,700	-
Shetland Befriending Scheme - CYP	53,000	53,000	-
Shetland Care Attendants Schme	74,300	74,300	-
Shetland Islands Citizen Advice Bureau	209,400	209,400	-
Shetland Islands Council Rural Care Model	1,986,200	1,986,200	-
Shetland Link Up	55,700	55,700	-
Shetland Rape Crisis	32,200	32,200	-
Shetland Recreational Trust	3,147,200	3,147,200	-
Shetland Women's Aid	100,000	100,000	-
The Swan Trust	28,300	28,300	-
Voluntary Action Shetland - Core	86,400	86,400	-
Voluntary Action Shetland - Market House	93,000	93,000	-
<b>Sub Total Main Grant Scheme</b>	<b>8,305,400</b>	<b>8,320,300</b>	<b>(14,900)</b>
<b><u>Small Grant Scheme</u></b>	<b>51,819</b>	<b>100,000</b>	<b>(48,181)</b>
<b><u>Main Grant Scheme Contingency</u></b>			
COPE	-	100,000	(100,000)
Shetland Amenity Trust	-	300,000	(300,000)
Shetland Arts Development Agency	125,000	300,000	(175,000)
Shetland Recreational Trust	-	600,000	(600,000)
<b>Sub Total Contingency</b>	<b>125,000</b>	<b>1,300,000</b>	<b>(1,175,000)</b>
Surplus Grants Refunded	(4,112)	-	(4,112)
<b>Total</b>	<b>8,478,107</b>	<b>9,720,300</b>	<b>(67,193)</b>

**Shetland Charitable Trust**  
**Management and Administration Expenditure**  
**Period to 31 December 2021**

	9 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	212,451	320,000	(107,549)
Professional Membership Fees	183	500	(317)
Staff recruitment	-	1,000	(1,000)
Travel and Subsistence	1,455	7,500	(6,045)
Training and Staff Development	916	8,800	(7,884)
<b>Sub Total Staffing Costs</b>	<b>215,004</b>	<b>337,800</b>	<b>(122,796)</b>
<b>Operating Costs</b>			
Insurance	13,212	11,500	1,712
Administration	4,017	4,100	(83)
Supplies and Services	2,607	6,400	(3,793)
Bank Charges	153	400	(247)
Professional Fees	3,808	20,000	(16,192)
External Audit Fees	21,511	20,000	1,511
Financial advice	17,000	30,000	(13,000)
Trustees Expenses	-	3,000	(3,000)
Meeting expenses	348	2,000	(1,652)
Legal Fees	(844)	50,000	(50,844)
Trustee Recruitment Costs	-	2,500	(2,500)
<b>Sub Total Operating Costs</b>	<b>61,812</b>	<b>149,900</b>	<b>(88,088)</b>
<b>Property Costs</b>			
Energy Costs	865	9,000	(8,135)
Water Rates	636	1,500	(864)
Building Maintenance	13,258	51,000	(37,742)
Cleaning	1,118	2,000	(882)
<b>Sub Total Property Costs</b>	<b>15,878</b>	<b>63,500</b>	<b>(47,622)</b>
<b>Bad debt write off</b>	-	-	-
<b>Reduction in Bad Debt Provision</b>	-	-	-
<b>Bought In Services</b>			
Treasury	19,920	20,000	(80)
Payroll	-	650	(650)
Building Maintenance	47,375	47,000	375
Committee Services	-	7,200	(7,200)
Computer Services	9,120	6,000	3,120
Messenger Service	-	450	(450)
Peninsula	1,675	2,500	(825)
Public Relations	4,000	15,000	(11,000)
<b>Sub Total Bought In Services</b>	<b>82,090</b>	<b>98,800</b>	<b>(16,710)</b>
<b>Total</b>	<b>374,784</b>	<b>650,000</b>	<b>(275,216)</b>

**Shetland Charitable Trust**  
**Investment expenses**  
**Period to 31 December 2021**

	<u>9 Month</u> Actual <u>£</u>	<u>Annual</u> Budget <u>£</u>	<u>Variance</u> <u>£</u>
Management Expenses	79,371	-	79,371
Black Rock fees	78,719	95,000	(16,281)
Northern trust fees	36,744	46,400	(9,656)
Insight investment fees	120,098	142,000	(21,902)
Schroders fees	79,893	131,000	(51,107)
Baillie Gifford fees	985,237	1,216,000	(230,763)
	<u>1,380,062</u>	<u>1,630,400</u>	<u>(250,338)</u>



## REPORT

To: Shetland Charitable Trust

Date: 10 February 2022

From: Chief Executive

Report: CT2202004

### 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.

#### 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.
- 2.5 At the Trust Meeting on 25 November 2021, Trustees agreed to increase the maximum loan capital available at any one time under the Scheme to £1.5 million (CT2111026).

#### 3. Present Position

- 3.1 As at 1 April 2021, there were four loans outstanding.
- 3.2 In the period 1 April 2021 to 31 January 2022, one organisation fully repaid their loan and three organisations made part repayments. A further four organisations have had applications approved and have drawn down, all or part of, their loans.

3.3 As at 31 January 2022, seven loans remained active with £905,250 due to be repaid to the Trust.

3.4 Appendix A lists the outstanding loans as at 31 January 2022.

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 financial 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 Seven loans remain active, with four new applications for bridging loans received and approved this financial year.

#### **6. Recommendation**

6.1 Trustees are asked to note this report.

Reference: D19

Report Number: CT2202004

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid £ 2020/21	Due to SCT at 01/04/21 £	Repaid £ 2021/22	Due to SCT at 31/01/22 £	Notes
<b>Loans approved 2019/20</b>								
Sandwick Social & Economic Development	149,300	75,000	75,000	35,000	40,000	35,000	5,000	Extension requested
Hillswick Wildlife Sanctuary	428,100	366,000	366,000	-	366,000	279,210	86,790	Extension requested
Community Development Company of Nesting	211,377	175,985	175,985	125,985	50,000	25,000	25,000	Extension requested - Repayment expected November 2022
Fetlar Community Association	140,000	120,784	120,784	-	120,784	120,784	-	Repaid June 2021
<b>Loans approved 2021/22</b>								
South Nesting Boating Club (SCIO)	66,000	53,460	53,460	-	-	-	53,460	Repayment expected May 2022
Legion Scotland Lerwick Branch	110,082	60,000	60,000	-	-	-	60,000	Repayment expected April 2022
Scalloway Community Development Company	669,755	400,000	400,000	-	-	-	400,000	Repayment expected March 2022
North Yell Development Company	554,265	350,000	275,000	-	-	-	275,000	Repayment expected June 2022
<b>TOTAL</b>	<b>2,328,879</b>	<b>1,601,229</b>	<b>1,526,229</b>	<b>160,985</b>	<b>576,784</b>	<b>459,994</b>	<b>905,250</b>	