
MINUTE**Public**

**Shetland Charitable Trust
Council Chamber, Town Hall, Lerwick
Thursday 12 May 2011 at 10.00am**

Present:

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

Apologies:

J Budge	A J Cluness
J H Scott	

In Attendance (Officers):

A Black, General Manager - SCT
J Goddard, Financial Controller – SCT
A Johnston, Senior Assistant Accountant – SCT
E Mainland, Office Administrator - SCT
C Ferguson, Head of Community Care - SIC
L Geddes, Committee Officer - SIC

Chairman:

W H Manson, Chairman of the Trust, presided.

Circular:

The circular calling the meeting was held as read.

Declarations of Interest:

Mr L Angus declared an interest in Agenda Item 7 (Art Therapy Update) as Vice-Chairperson of Voluntary Action Shetland.

Minute:

The minute of the meeting held on 24 March 2011 was confirmed on the motion of Mr A T J Cooper, seconded by Mrs C H J Miller.

The Chairman welcomed Edna Mainland who had recently joined SCT as Office Administrator.

Future Governance Arrangements of Shetland Charitable Trust

The Trust considered a report by the General Manager (Appendix 1).

The Chairman advised that the Governance Review Group was continuing to meet in order to come up with detailed proposals. However it had been felt that it would be useful to present this report in order to get an agreement in principle before proceeding further with more detailed proposals.

Mrs C H J Miller moved that the Trust approve the recommendations in the report, and Mrs L F Baisley seconded.

Dr J W G Wills requested that when reporting back to the Trust, a range of options and alternatives were presented. These should include a public election mechanism for Trustees, and an option of a Trust with no Councillor Trustees at all as, although not personally supportive, he understood there was a strong argument in favour of this.

(Mr A G L Duncan attended the meeting)

Mr R C Nickerson referred to the advice received from Mr Roy Martin QC, and expressed concern regarding the basis of it. He pointed out that Trustees, with the exception of the two independent Trustees, were in fact invited to become Trustees. Section 66(c) of The Charities and Trustee Investment (Scotland) Act 2005 referred to circumstances capable of giving rise to conflicts of interest between the charity, and any person responsible through their appointment as a charity trustee. Trustees were not appointed to SCT, and no Council Committee was responsible for making the appointments. Trustees were instead invited to and entitled to sit on the Trust. He went on to say that there also appeared to be a misconception in the advice that the Trust directly supplies services to Council, whereas it actually funds third-party organisations to provide services to the community.

He therefore felt that there was a need to consider these points, and for the Governance Review Group to consider carefully how they set up ways in which Councillor representation may occur in future. If Trustees were to be appointed, there could be conflicts according to the terms of the Act, and he requested that this be taken into account when considering the various models to be presented to Trustees. He went on to say that some of the advice given related to an increase in the number of Trustees. He pointed out that there had been 28 Trustees at some points in the past, and this had not been considered to be unmanageable. One of the things that the Governance Review Group should consider would be to increase the number of Trustees and have a quorum of 15, so that potential conflicts should not arise.

It was noted that careful consideration would have to be given as to how Trustees would be appointed to any new body.

(Mrs I J Hawkins attended the meeting)

Some discussion took place with regard to conflicts of interest. It was noted that actual conflicts of interest had never been recorded, but it was agreed that there was a perception of conflicts of interest.

Discussion also took place regarding the organisations currently funded through grants and Service Level Agreements, and to the assets held by SCT and SLAP. There were concerns that any new body may choose to follow a different direction to what had been taken in the past, and it was felt that there was a need to have something in place that would allow for continuity of what had been happening over the last 30 years regarding the application of funds to the Shetland community.

It was noted that there was general acceptance that the constitution of the Trust would have to change, as referred to in paragraph 5.1(ii) of the report, and that allowing the Governance Review Group to continue to work up detailed proposals would send out such a signal to the wider community.

In response to a request, Mr R C Nickerson advised that he did not feel competent to address the Governance Review Group regarding the issues he had raised. However he hoped that the Group would seek legal advice on these matters.

28/11

Recommended Disbursements - Approvals

The Trust noted a report by the General Manager (Appendix 2).

29/11

Recommended Disbursements – Social Care

The Trust noted a report by the General Manager (Appendix 3).

30/11

Clarification of Reserves Policy

The Trust noted a report by the General Manager (Appendix 4).

Some discussion took place regarding grant conditions whereby small organisations were allowed to retain one-twelfth of their total income for Trust-funded activities as reserves. It was pointed out that local organisations were very active in fundraising activities and, in some cases, were having to repay surpluses to the Trust. It was felt that this may act as a disincentive to fundraising locally, and it was suggested that there should be more flexibility in the Policy to deal with this. Concern was expressed that organisations may effectively end up being penalised due to their successful fundraising efforts, and an assurance was requested that money raised by fundraising would not be included in any surpluses that require to be returned. It was also suggested that it may be more appropriate for funding to be allocated on a three-yearly basis rather than an annual one, and that this would assist organisations with their financial planning.

The Chairman advised that organisations would be allowed to retain one-twelfth of any income for Trust-funded activities annually. The Trust was responsible for core funding organisations and if a body

was fortunate enough to receive core funding from an external organisation, then it was the case that they should not be double funded. If an organisation had financial difficulties, even with the retention of one-twelfth of income, it would be brought to the attention of Trustees. He was not aware of a case where support had been refused.

The General Manager clarified that only income in excess of one-twelfth of total income for Trust-funded activities in the relevant year could be clawed back. It did not apply to projects that were not funded by the Trust. She appreciated that there was a particular issue relating to Voluntary Action Shetland (VAS), and confirmed that work was ongoing to address this issue. However it was not the case that organisations would not be supported, but rather that it was not appropriate for organisations to accumulate large amounts of money in their bank accounts rather than use it for charitable purposes. The Policy was not designed to discourage income generation, and if an organisation came forward with a good business case to use their existing surpluses, this would be considered.

It was pointed out that paragraph 2.3 of the Policy referred to "...one twelfth of all funding..." and not one-twelfth of SCT funding. Whilst this may refer to all income in respect of SCT-funded projects and activities, it could also be interpreted to apply to all income for any particular organisation.

The Financial Controller pointed out that it related only to SCT-funded activities and that last year, only £24,000 of £11million had been returned to the Trust as surpluses. If an organisation could demonstrate a good reason for retaining a surplus, this was generally agreed. He also felt that organisations would generally agree that the Policy was being applied fairly.

It was suggested that there was a perception that the larger organisations funded by the Trust were treated differently. The Chairman explained that the Policy was applied in the same way, although the sums of money involved were larger.

(Mr A T J Cooper left the meeting)

31/11

Fund Management Annual Review 2010/11

The Trust noted a report by the Financial Controller (Appendix 5).

The Financial Controller summarised the main terms of the report, advising that Trustees would be invited to attend presentations by Fund Managers to the Council at the end of May. He advised that BlackRock's performance reflected that of the world stock markets and that Insight had out-performed their benchmark and target. Schroders had under-performed their benchmark, but growth of their portfolio would be a longer-term process.

32/11

Fund Manager Transactions

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

The Financial Controller advised that the market value at 6 May was £181.3million.

(Mr A G L Duncan left the meeting)

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

(The media and public left the meeting).

33/11

Art Therapy Update

The Trust noted a report by the General Manager (Appendix 7).

34/11

Loans to Local Industry – Agricultural Loan Scheme – Update on Loan Application LA2/1398

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

35/11

Sums Due but Unpaid Over One Month Old as at 31 March 2011

The Trust noted a report by the Financial Controller (Appendix 9).

The Financial Controller advised that the date in the right-hand column should read “31 March 2011”.

The meeting concluded at 11.30am.

CHAIRMAN