
MINUTES

Public

Shetland Charitable Trust
Bowlers Bar, Clickimin Leisure Complex, Lerwick
Thursday 15 September 2016 at 5.30pm

Present:

| | |
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| A Cooper | A Duncan |
| B Hunter | T Macintyre |
| A Manson | K Massey |
| I Napier | J Smith |
| J Wills | |

Apologies:

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|--------------|-------------|
| M Bell | R Henderson |
| P Malcolmson | D Ratter |
| A Westlake | |

In Attendance (Officers):

A Black, Chief Executive - SCT
R Mainland, Executive Business Manager - SCT
E Flaws, Administration Manager – SCT
K Mouat, Administration Assistant - SCT
L Geddes, Committee Officer – SIC

Also:

P Riddell, Platform Shetland

Chair:

Mr Hunter, Chair of the Trust, presided.

Circular:

The circular calling the meeting was held as read.

Declarations of Interest

Mr Duncan declared an interest in Agenda Item 9 “Aged Debtors at 31 August 2016”, and advised that he would leave the room during the discussion.

Minutes

The Trust confirmed the minutes of the meeting held on 30 June 2016, on the motion of Mr Smith, seconded by Reverend Macintyre.

Shetland Charitable Trust**Annual Report and Accounts for the year to 31 March 2016**

The Trust considered a report by the Chief Executive (CT1609037) which presented the Annual Report and Accounts for the year to 31 March 2016 for approval.

The Chair introduced the report, advising that the Trust had had a successful year in managing its budgets but, like most investors, a difficult year with its investments on the world markets. The Trust continued to maintain a strong balance and had net assets of £232.8 million at 31 March 2016, compared with £240.4 million in 2015. This decrease in funds of £7.6 million was mainly due to loss on investments of £4.6 million. The value of investments fell to £200 million but had recovered well since March, sitting at £215 million at the end of July.

He went on to say that total income for the year was £7.8 million, made up of dividend income from UK Equities, Gift Aid, the Trust's subsidiary companies, and rental income. The Trust had been successful in managing its expenditure within the approved budgets. Total charitable expenditure for the year was £9.4 million, down from £9.8 million in 2015, in line with the Trust's disbursement plan.

He concluded by saying that given the very difficult market conditions investors had faced over the period, the Trust had performed well over the last 12 months.

Dr Wills referred to pages seven and eight of the financial statements, which highlighted the Trust's charitable expenditure, achievements and performance. He said that these were a credit to the Trust and Trustees, and he had therefore been surprised to see criticism in the local media regarding things that the Trust was not doing, and had also been shocked to see posters around the town and elsewhere accusing Trustees of stealing from the community. He condemned these actions.

It was questioned if consideration had been given recently to amalgamating the three large trusts that the Trust financed, as there would be potential to make significant savings across management and administration.

The Chair advised that there had been some discussions in the past with the three trusts concerned regarding what they could do to work together more. However there would be problems in bringing the three trusts together into one body, most notably relating to the problems this would cause in them seeking funding from external sources.

It was pointed out that the three trusts had been set up for valid reasons with specialist roles and activities, which continued to be the case. The Trust had tightened up considerably on its supervision and conditions relating to the organisations it funded, so there could be an assurance that they were meeting requirements. The Trust would be considering the performance of funded organisations later on the agenda, and that would be an appropriate point to consider what the Trust expected of these organisations in terms of targets and moving forward.

On the motion of Mr Smith, seconded by Ms Manson, Trustees approved the recommendation in the report.

Decision:

The Trust:

- Approved the Annual Report and Accounts for the year to 31 March 2016, attached as Appendix A to the report
- Authorised the Chairman and Vice Chairman to sign the accounts
- Authorised the Chairman to sign the Letter of Representation, reproduced as Appendix C to the report
- Noted the summary report from KPMG LLP, the Trust's auditors, attached as Appendix B to the report

44/16

Risk Management – Annual Review

The Trust considered a report by the Chief Executive (CT1609038) which sought approval of a recommendation from the Audit & Governance Advisory Committee to adopt the revised Strategic Risk Management Assessment.

Mr Massey, Chair of the Audit and Governance Advisory Committee (AGAC), introduced the report, advising that each of the advisory groups had been allocated specific risks to monitor and that the AGAC looked at them collectively. Operational risks were delegated to the Chief Executive. From a strategic point of view, he was happy with the process that was being followed, although Trustees would get together to take another look at the strategic horizon and anything that might impact on the Trust.

It was commented that controls had been put in place to monitor risk, but it was not always clear if these controls were effective and actually contributing to change. However it was noted that risks did change status depending on the measures that had been taken to mitigate them, or current problems being experienced. When the process had started there had been 20 risks under consideration, and there were now five strategic risks.

It was questioned if further damage would be done to the Trust's reputation if there was not a contingency plan in place should the new Council continue the policy of the existing Council of not appointing new Trustees. The Chief Executive advised that this was something that the General Purposes Advisory Committee (GPAC) would be addressing as part of the overall reputational risk.

Mr Massey added that the GPAC were of the view that this particular risk was not heading in the right direction, and there would be a lot of work carried out to address it.

On the motion of Mr Massey, seconded by Reverend Macintyre, Trustees approved the recommendation in the report.

Decision:

The Trust accepted the recommendations of the Audit & Governance Advisory Committee and approved the Strategic Risk Management Assessment, as set out in Appendix 1 to the report.

45/16

Trust Deed

The Trust considered a report by the Chief Executive (CT1609039) which informed of the changes required to implement the recommendations of the Governance Review report, which was approved at the meeting of 12 May 2016.

The Chief Executive advised that a change was required to the wording of Appendix A, and that paragraph 3.1.13(1) should be amended to read "Throughout the Schedule of Governance Arrangements, "Selected Trustee" *replaces* "Appointed Trustee" since that more reflects the term used.

Some discussion took place as to whether this would constitute an amendment to the report, and therefore require to be sent back to officers for amendment.

The Chair said that he was satisfied that this was a correction to the report, not an amendment, and therefore the report could be considered by Trustees. He went on to say that the report before Trustees had involved a lot of work by the Trust's lawyers and the AGAC, and he invited Mr Massey, Chair of the AGAC to introduce the report to Trustees.

Mr Massey advised that the update brought the Trust into line with current legislation, and the Committee had relied heavily on advice received from Turcan Connell and the Office of the Scottish Charity Regulator (OSCR) when compiling the report. What had been done could be regarded as 'husbandry', and the first stage of a journey that was just beginning as far as the Trust Object, Deeds and Administrative Regulations were concerned.

Some discussion took place with regard to the inclusion of the "advancement of religion" in the revised Charitable Objects of the Trust, and concern was expressed that the phrase could be used to justify religious observance or proselytising. It was questioned if inclusion of this was appropriate, given that the Trust had never been partisan and had always kept clear of religion. Some Trustees were of the view that this should be re-examined as the focus nowadays tended to be on spiritual care rather than religion. Others suggested that there was a need for the definition to be left as wide as possible as it created a framework within which the Trust could operate, and in order that the Trust did not preclude itself from providing assistance in future.

The Chief Executive advised that this had been part of the original objects of the Trust, and that the revised objects now complied with the relevant legislation. As had been indicated, this would be a longer-term journey and approval of the report today would just be the first step. It was important that reference to religion was retained, as the budget committed to funding to the Shetland Churches Council Trust until

2020. The Chair added that the term “advancement” was a general term that had been used in each category, and it was something that could be revised in the future as it would then be easier for Trustees to make changes to the documents.

Mr Massey advised that it was intended to hold an informal session with Trustees the following week in order to start looking at the next phase of the journey. It was intended to come back to the Trust with more detail as the initial phase had just been regarded as a ‘tidy up’, and the lawyers could then be asked if it would be possible to define religion in a more non-secular way.

In moving that the recommendations in the report be approved, Mr Smith said that he was satisfied that the proposals in the report would assist the Trust in moving forward in the right direction, and that the AGAC would be looking at any other changes that would be required. The Trust had no control over what the Council may or may not do in the future, and approving the report today would mean that any new Trustees would be involved in future decisions regarding the number of Trustees. He expressed his disappointment at the decision of the Council to not have any Trustees in future, saying that he felt that they brought a lot to the Trust, and that most Trustees had conflicts of interest which were dealt with when they arose.

Reverend Macintyre seconded.

In moving that the report be rejected and referred back to officers, Dr Wills said that it was important that the setting up of any new regulations was right and that approval of the report would be going against the advice of the independent advisors. In his view there were two particular issues that required to be dealt with – the issue regarding the wording relating to the advancement of religion, and the issue relating to what would happen if the new Council did not agree to having trustees on the Trust. There had been a material change in circumstances since the Trust had agreed that the Council should be given the opportunity to have four trustees on the Trust. The Council had rejected this, and the advice from its officials in future was likely to be the same, as having four trustees did not resolve problems relating to conflicts of interest, the grouping of accounts and the democratic deficit. The Council had invited the Trust to consider other ways of democratic representation, and the advice received from the consultants was that something had to be done about the democratic deficit.

Ms Manson seconded, saying that she was of the view that there required to be some sort of public accountability if the Council no longer wished to put Trustees on to the Trust, and it was important that this was taken into account at this stage.

Mr Massey advised that the AGAC had already begun to consider alternatives and would be addressing concerns about how the Trust engaged with and was accountable to the community and would be addressing gender, age and demographic imbalances within the Trust.

Voting took place by show of hands, and the result was as follows:

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| Accept (Mr Smith) | 6 |
| Reject (Dr Wills) | 2 |
| Abstentions | 1 |

Dr Wills requested that his dissent be recorded.

Decision:

The Trust:

- Noted the changes required to implement the recommendations of the Governance Review report
- Approved the amended Schedule of Governance Arrangements as per Appendix 1 to the report
- Approved the amended 'Charitable Objects of Trust' as per Appendix 3 to the report
- Approve the amended powers of the Trust as per Appendix 4
- delegated authority to the Chief Executive and the Audit and Governance Advisory Committee:-
 - to implement the amendments approved in sub-paragraphs 5.1.1 b), c) and d). This is in addition to the delegated authority granted to the Chief Executive and the Audit and Governance Advisory Committee by the Trustees at their meeting on 12th May 2016 to implement the recommendations of the Governance Review Report.
 - to authorise such changes as the Office of the Scottish Charity Regulator may require or recommend together with any consequential or minor changes as may be required in connection with the aforementioned implementation and which are agreed by the Audit and Governance Committee on behalf of the Trustees

46/16

Shetland Recreational Trust
Retention of Surplus Funds 2015/16

The Trust considered a report by the Chief Executive (CT1609040) which sought approval of the retention of funds totalling £278,341 by Shetland Recreational Trust (SRT).

The Chair explained that the retention of funds was above the level allowed in the existing policy, but not the new policy.

In response to a query, the Chief Executive advised that the surplus had arisen as a result of trading activity and restructuring savings that had been made, so that SRT was in a better position to be self-sustaining moving forward into the future.

Concern was expressed that by approving the recommendation in the report, the Trust was depriving itself of funds that could be available to it for investment. However some Trustees were of the view that this was a positive story that should be supported, although it was generally agreed that more detail on how the surplus had been achieved would have been welcomed.

Mr Smith moved that the recommendation in the report be approved, and Dr Wills seconded.

Decision:

The Trust approved the request from Shetland Recreational Trust to retain funds of £278,341, which is above the permitted level in the Reserves Policy, for the purposes outlined in paragraphs 3.5 and 3.6 of the report.

Dr Wills declared an interest in the following item as a Trustee of Shetland Amenity Trust, and advised he would not take part in the discussion.

47/16

Service Performance of Funded Organisations – Year Ending 31 March 2016

The Trust considered a report by the Chief Executive (CT1609046) which presented information regarding the service performance of various organisations to which the Trust provides funding, and sought approval of the revised service performance reporting format.

The Chair advised that the report related only to four of the larger organisations to which the Trust provided funding, with the remaining ones to be presented following approval of a revised service performance reporting format.

Trustees commented that they generally felt that the new format was a substantial improvement on what had previously been presented to Trustees, but that there was still room for improvement in relation to targets and objectives, how these were set and whether they were appropriate. On hearing that it took Trust staff some time to compile the information in this format, it was further suggested that the organisations concerned should be asked to present the information to the Trust in the relevant format. It was also suggested that it would be useful to contain information relating to any external funding that the organisations had been successful in achieving.

It was noted that the larger trusts gave presentations to Trustees during the year at which they answered questions from Trustees, and that this could also form part of the feedback.

The Chief Executive advised that she would take these suggestions on board.

Decision:

The Trust:

- Noted the content of Appendix A to the report

- Highlighted issues or areas where they wished to receive further information or clarification
- Approved the revised service performance reporting format

48/16 **Investment Review Report – Quarter to 30 June 2016**

The Trust noted a report by the Chief Executive (CT1609041) which reviewed investment performance for the quarter to 30 June 2016.

Decision:

The Trust noted the contents of the report.

49/16 **Small Grant Scheme – Approvals**

The Trust noted a report by the Chief Executive (CT1609042) which presented the recommended Small Grant Scheme approvals.

Decision:

The Trust noted the approvals listed in paragraphs 2.1 and 3.1 of the report.

The meeting adjourned at 6.30pm and reconvened at 6.35pm.

In order to prevent the disclosure of exempt information, Mr Hunter moved, Mr 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)

50/16 **Appointment of Investment Performance Measurement Advisor**

The Trust considered a report by the Chief Executive.

Decision:

The Trust approved the recommendation in the report.

(Mr Duncan left the meeting)

51/16 **Aged Debtors at 31 May 2016**

The Trust noted a report by the Chief Executive.

Decision:

The Trust noted the contents of the report.

(Mr Duncan returned to the meeting)

52/16 **Deeds Executed**

The Trust noted a report by the Chief Executive.

Decision:

The Trust noted the contents of the report.

53/16 **Update from Chairs of Advisory Committees**

The Chairs of the Audit and Governance Advisory Committee and General Purposes Advisory Committee gave an update to Trustees.

In the absence of the Chair of the Investment Advisory Committee, the Chair gave an update to Trustees.

Decision:

The Trust noted the updates.

54/16

Update from Subsidiary Companies

Trustees noted updates from the Trust's subsidiary companies.

Decision:

The Trust noted the updates.

The meeting concluded at 6.50pm.

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CHAIR