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

Our Ref: EMA/TA1/1
Your Ref:

Date: 16 March 2011

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Charitable Trust
Council Chamber, Town Hall, Lerwick
Thursday 24 March 2011 at 10.00am**

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

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 minutes of the meeting held on 11 February 2011(enclosed).

For Information/Presentation

1. Viking Energy – Progress Report. Report enclosed.

For Decision

2. Asset Replacement – Shetland Recreational Trust: South Mainland and Scalloway Swimming Pool Roofs. Report enclosed.
3. Shetland Development Trust Surplus: Application for Funding COPE Limited. Report enclosed.
4. Risk Management – Annual Review. Report enclosed.
5. Review of Grant Aid Schemes: Community Development Grants and Community Support Grants. Report enclosed.

For Information

6. Governance Review – Legal Advice. Verbal update.
7. SLAP – Progress Report. Report enclosed.
8. Wind to Heat – Project Update. Report enclosed.
9. Fund Manager Transactions. Report enclosed.
10. Recommended Disbursements – Approvals. Report enclosed.
11. Recommended Disbursements – Social Care. Report enclosed.

The following items contain **Confidential** information

For Decision

12. Selection and Appointment of a Commercial Lawyer for the Shetland Charitable Trust Group. Report enclosed.

For Information

13. Sums Due but Unpaid over One Month Old as at 28 February 2011. Report enclosed.
14. Art Therapy - Verbal Update.

REPORT

To: Shetland Charitable Trust

24 March 2010

From: Financial Controller

Report: CT1103018

Viking Energy – Progress Report**1. Introduction**

- 1.1 There are two purposes of this report. Firstly, to introduce Richard Simon-Lewis from the Lloyds Banking Group, who will give a presentation to Trustees on onshore wind project finance. Secondly, to provide Trustees with an update on the Viking Energy wind farm project.
- 1.2 There has been a series of reports and updates to the Trustees since the Trustees took the decision to participate in the project in September 2007. I have included a diary of them as appendix A. This report continues that approach.

2. Project Finance and presentation from Lloyds Banking Group

- 2.1 Richard Simon-Lewis, who is Director, Renewable Energy – Project Finance at Lloyds Banking Group will give a presentation to Trustees today on onshore wind project finance.
- 2.2 If consent is gained and the project goes ahead a series of contracts will need to be negotiated in detail and put in place covering procurement, construction, finance, and future operation and maintenance arrangements. It is not possible to have detailed negotiation on finance at this stage, as the overall costs will depend on key factors that are still subject to movement, including the number of turbines. This last variable will be fixed if consent is gained and that will trigger the setting of various other key numbers.
- 2.3 It is, though, possible to have useful and meaningful contact with sources of finance at this stage. I have discussed the project with a number of banks including Lloyds Banking Group, and the Chair of the Trustees and I have met with several banks. SSE, the other partner in the project has discussed Viking Energy with the European Investment Bank, EIB.

- 2.4 It is my view that the message from the banks is that the project can be financed and that they banks want to be seen as a provider of finance to this sort of project. The fact that SSE, a FTSE 100 listed energy company which has developed over 40 windfarms, is a partner, has helped my discussions tremendously. We know that Shetland has world class wind, and Burradale has proved it over the past ten years. One of the Burradale turbines, named Betsy, is believed to be the most productive commercial turbine in Europe. So the existence of Burradale helps my discussions as well. Banks accept onshore windfarms as established working technology.
- 2.5 Appendix B is my October 2010 paper on issues for the Trust and Trustees that may arise in connection with financing the project.

3. Progress

- 3.1 A key part of the evaluation of the project is the process of achieving consent from the Scottish Government. The developer in its application for consent must demonstrate to the Scottish Government that the project is technically and financially sound and that any environmental consequences are mitigated and are at an acceptable level.
- 3.2 Appendix C contains a project update prepared by Aaron Priest, Project Manager for Viking Energy. The most significant recent milestone passed is that Shetland Islands Council, a principal statutory consultee, has considered and recommended approval of the application for consent, as amended by the addendum. A decision on the consent application is expected from Scottish Ministers in 2011.
- 3.3 All figures quoted in this report flow from the consent application as modified by the addendum. They are based on 127 turbine sites giving 457.2 MW of capacity and a capital cost in the region of £685 million. I expect all of these numbers to be refined should consent be forthcoming, but with that warning, they are useful at this stage.

4. The Viking Energy Partnership, VEP

- 4.1 When the Trust bought out the Shetland Islands Council's interest in the project in September 2007, the Viking Energy partnership, VEP was already in being. However, a partnership is a good way of constituting this 'joint venture' as the Trust and SSE are exposed to very different tax regimes and a partnership allows separate tax dealings for each partner. VEP is a Scottish Legal Partnership between Viking Energy Limited, VEL, and a subsidiary of SSE. It is governed by a partnership agreement, which deals with the administration, as one might expect. The main points are that all decisions require agreement through a partnership board which has three members from each partner. Each partner only has one vote and each partner takes it in turns to nominate a Chair year by year. As the Chair does not have a casting vote, decisions have to be made with the agreement of both partners. The VEL nominees to the

VEP Board are the three Directors of VEL, Bill Manson, Alastair Cooper and Caroline Miller.

- 4.2 One of the decisions of the VEP Board is that my staff and I, here at the Trust, provide accountancy services for VEP, and this has also been useful to me in monitoring Trustees' investment to date. The origins of the Viking Energy Project were two separate projects being brought together, one by Shetland Islands Council (with the Trust buying that interest part way through), and one by SSE. Project costs have been incurred over several years (going back to 2003) by various past and present participants. The partners have agreed that VEP should bear all external costs. These are, principally, the array of third party work needed for the Environmental Impact Assessment, EIA, and other assessments that formed part of the Application for Consent and its Addendum. The partners themselves meet their own internal costs (staff, premises, business support).
- 4.3 VEP has a year end of 31 March, and the accounts as at 31 March 2010, include all the relevant past costs originally paid by VEL, Shetland Islands Council and various companies owned by SSE, and all have been agreed by the partners. The VEP accounts have been audited by KPMG and are available on the Viking Energy website. At 31 March 2010 the total VEP expenditure is £2.8 million, financed 50% by VEL and 50% by SSE.
- 4.4 VEP has been fully operational in its own right throughout the current financial year 2010/11. This means that ongoing costs are met by VEP, which is in turn financed by monthly cash calls on the partners. The estimated outturn 2010/11 VEP expenditure is £0.6 million, again financed 50% by VEL and 50% by SSE.
- 4.5 The table below breaks down the VEP expenditure into broad categories of activity.

VEP	Up To 31 March 2010	2010/11	TOTAL
Birds	550,000	175,000	725,000
Ecology	200,000	4,000	204,000
Landscape and Visual	100,000	20,000	120,000
Soil, Water & Peat	250,000	19,000	269,000
Archaeology	150,000	19,000	169,000
Wind, Including Masts	350,000	92,000	442,000
Other studies (traffic, telecoms, aviation, socio-economic, other EIA related costs)	350,000	204,000	554,000
Communications, Exhibitions, Models, Website, etc	400,000	73,000	473,000
Other fees etc	450,000	32,000	482,000
TOTAL	2,800,000	638,000	3,438,000

5. Viking Energy Limited, VEL

- 5.1 Shetland Charitable Trust agreed to buy the Council's 90% interest in Viking Energy Limited in September 2007. The other 10% of the company is owned by the shareholders of Shetland Aerogenerators (Burradale) through a company called Viking Wind Limited. The shareholders provide finance by buying shares and the current position is that the Trust has bought 2,700,000 £1 shares and the minority shareholders have bought 300,000 £1 shares. The minority shareholders are automatically offered one tenth of any new shares, so their proportion remains the same as long as they produce cash to buy the shares. The minority shareholders cannot sell their VEL shares without the agreement of the Trust.
- 5.2 Trustees nominated three Directors, who are Bill Manson, Alastair Cooper and Caroline Miller. The Company Secretary is David Thomson, one of the minority shareholders, and this formally ensures that they are kept informed.
- 5.3 As explained above, VEP bears third party or external costs, with the partners meeting staff and other internal costs such as office rentals, travel costs, IT support etc. At present, four Shetland based people work full time on the project and their costs are met by VEL. As part of the exercise to get all the past project costs (back to 2003) accounted for and borne by the correct body, project costs that are internal costs, and so not attributable to VEP, are in VEL as at 31 March 2010. These amounted to £1.1 million, over the seven years. VEL's accounts to 31 March 2010 have been audited by KPMG and are available on both the Viking Energy website and the Trust's.
- 5.4 VEL has been functioning as a separate financial entity for eighteen months or so, and this means we have completed the move to the model where VEL (and VEP) are active and costs are met directly from where they are borne. The estimated 2010/11 outturn expenditure for VEL is £0.3 million broken down as follows:

Revision to Connection Agreement - Fee	£69,375
Other Project Costs	£7,544
Staffing Costs	£193,074
Office and Other Overheads	£15,847

- 5.5 The Trust will shortly purchase a further 300,000 £1 shares in VEL and the minority shareholders have informally indicated that they will take up the offer to buy a further 33,333 £1 shares. This will mean that all of the Trust's £3 million investment budget will have been released to VEL. This budget was intended in 2007 to be sufficient for the evaluation stage. Although the project has slipped overall by two years since then, the position has been that the £3 million budget remains sufficient for this evaluation phase, unless the consent application is referred to a public inquiry, provided a determination is made before 31 March 2011. The date limitation will

soon be passed and I will bring forward a report to the Trustee meeting on 12 May which will discuss future funding decisions.

6. Financial Implications

6.1 There are no financial implications flowing directly from this report. However, Trustees will face important financial decisions in connection with Viking Energy in the future, both in the short-term (see paragraph 5.5 above) and in the long-term.

7. Conclusion

7.1 Trustees will be faced with a number of interesting and important decisions if the Viking Energy project achieves consent from the Scottish Government.

8. Recommendation

8.1 I recommend that Trustees note this progress report.

Reference: JPG/IS3

Report Number CT1103018

APPENDIX A

Date	What	Subject	Who
24/03/2011	Presentation	Project Finance	Richard Simon-Lewis Lloyds Banking Group
	Progress Report	General	Financial Controller Aaron Priest
04/10/2010	Briefing Note	Project Finance	Financial Controller
29/09/2010	Presentation	Addendum launched	David Thomson
	Q&A Session		Aaron Priest
24/06/2010	Update Report & Drawdown Report	Finance & Administration	Financial Controller
21/06/2010	Project Update & Q&A Session	General	Aaron Priest
11/02/2010	Presentation	Finance	Richard Simon-Lewis Lloyds Banking Group
03/11/2009	Presentation and Update report	Construction experience	Morrison Construction And Ecological QS
17/09/2009	Presentation	Project Finance SSE Experience	Philip Soden, SSE
01/09/2009	Reception	General	Ian Marchant, SSE
06/08/2009	Seminar	General	Aaron Priest
02/07/2009	Seminar	General	Aaron Priest
18/03/2009 & 19/2/2009	Drawdown report	Finance	Financial Controller
08/12/2008	Presentation	Ecology/Peat	David Thomson
	Presentation	Economics	Stephen Kerr, Avayl
13/11/2008	Verbal Update	General	Financial Controller Aaron Priest

APPENDIX A

24/10/2008	Investment report	General	Financial Controller
11/09/2008	Presentation	General	David Thomison
	Presentation	SSE position	Simon Heyes, SSE
17/09/2007	Report	Up to £3m investment decision	Financial Controller
23/08/2007	Workshop	Finance	Brandon Rennet, SSE

BRIEFING NOTE

To: Shetland Charitable Trust

4 October 2010

From: Financial Controller

Project Finance and Viking Energy

Introduction

This note sets out to give an overview of one possible route to finance the Viking Energy windfarm, should it go ahead. The note also looks at the cash consequences for the Trust. All the numbers quoted are derived from projections and estimates, and so they cannot be regarded as certain. However, they are derived from a prudent set of assumptions and are robust enough to be the basis for investment decisions by various banks and SSE, as well as Trustees.

The windfarm as set out in the addendum to the application for consent from the Scottish Government is 127 turbines, 457.2 MW and it is estimated that it will cost £685 million to build.

Non-Recourse Project Finance

£685 million is a lot of money. However, around 80% of the money can be raised by the project itself. This manner of funding is known as 'non-recourse project finance' and the loans are usually long term - around 15 years.

This means that Viking Energy can borrow from the banks without any need for security or a guarantee from the Trust. The banks will lend on the basis of the income coming into Viking Energy when the wind farm starts producing electricity.

The banks have got to the point where they believe that an onshore windfarm, built by a company like SSE, is a safe investment for them. The Head of Energy Structured Finance at RBS has said:

"Most banks who are active in this area [onshore wind] do not now see renewables as a hugely risky sector. The mainstream technologies are well-established and people will bank them. There is a track record of these things working pretty well."

Cashflows Affecting the Trust

After allowing for the costs of repaying the project finance and for all other operating costs, it is estimated that the Trust will receive an average income of

just over £23 million pa. As I explain below to get this income, the Trust will need to finance £62 million (and I will suggest that the Trust borrows half of that sum). The Trust would normally be pleased to get an investment income of £5 million pa from an investment of this size.

With project finance providing 80% or £548 million, the underlying partners will need to provide the other 20%. Half of this will come from SSE, £68.5 million, and the other half, also £68.5 million will need to come from the shareholders of Viking Energy Limited. The Trust holds 90% of the shares and will need to provide 90% of £68.5 million - just under £62 million.

The Trust will not have to find £62 million in a lump sum, but will be able to pay it over a few years. Trustees will have to decide whether to simply sell stockmarket shares to raise all of this sum, or perhaps borrow part, or all of it. Borrowing will reduce the immediate hit on the Trust's investment income, but will have an ultimate cost in the form of interest. On balance, I expect that I will be recommending that the Trust uses £31 million of its own money and borrows the other £31 million.

The capital expenditure will be over 5 years, but some turbines will be generating electricity and income after 3 years. This means that not all of the Trust's £31 million will be invested before there is an income. I have modelled the cashflows in and out of the Trust and estimate that the maximum amount of the Trust's own money needed will be limited to £22 million.

	£ million	
<u>Project Finance</u>	548	Viking Energy Partnership loans from banks – no security or guarantee needed from Shetland Charitable Trust
<u>Partners' Finance</u>		
SSE	68.5	
Minority Shareholders	6.85	
Shetland Charitable Trust	30.825	Borrowed by the Trust
Shetland Charitable Trust	<u>30.825</u>	The Trust's own resources
	<u>685</u>	

Conclusion

The build cost for the Viking Energy windfarm is estimated at £685 million. Fortunately the Trust will only need to provide a small portion of this, with the banks through project finance, and SSE and the minority shareholders providing £623 million in the financing route I currently favour. This will leave the Trust to finance £62 million, and I expect to recommend, when and if the time comes, that the Trust should borrow half of this, £31 million, and raise the rest by selling off existing stockmarket investments. The cashflows of the project might limit the Trust's cash outflow to a maximum of £22 million. The income projected for the Trust from the project averages out at £23 million pa, and will quickly rebuild the Trust's balance sheet and put Trustees in the position to be able to decide what to

do with the extra income in the best interests of the inhabitants of Shetland. No other investment offers anything like this level of return.

Reference: JPG/IS3

APPENDIX C



**The Gutters' Hut
North Ness Business Park
Lerwick
Shetland**

**Tel: 01595 744930
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E-mail: info@vikingenergy.co.uk**

Date: March 2011

Our Ref:
Your Ref:

**Viking Energy- Project Update
Shetland Charitable Trust –Thursday March 24th 2011**

Planning

- An application for consent under Section 36 of the Electricity Act was submitted to the Scottish Government on 20 May 2009.
- An Addendum altering the scale of the proposed wind farm and detailing significant further work was submitted to the Scottish Government on 29 September 2010.
- Those alterations and further work were undertaken following objections and issues raised by statutory consultees and others in response to the May 2009 application.
- An information pack which provides a summary of the changes contained within the Addendum is appended to this short report for information. The Addendum was the subject of a further full consultation process by the public and all other consultees after its submission. Significantly, SEPA and Historic Scotland have withdrawn their objections to the project as a result of the changes made. SNH has maintained an objection due to a possible negative impact on the UK conservation status of the Whimbrel and on landscape grounds (specifically in the Lang Kames area). There is also a holding objection from Scatsta airport to allow a more definitive assessment to be produced on how the proposed windfarm would interact with the airport's future development plans.
- Shetland Islands Council (SIC) has considered and has recommended approval of the application for consent, as amended through the changes detailed in the Addendum. The Council is a principal statutory consultee and its decision will be given significant weight by Scottish Ministers in helping to inform their decision on the application. The Council recommended the application for

approval by Scottish Ministers following a Special Shetland Islands Council meeting on 14 December 2010.

- Following receipt of SIC's planning recommendation, Scottish Ministers are now weighing that up in conjunction with all the other available information, including taking a view on wider national economic and energy supply issues before reaching a decision. There is a Scottish Government election in May 2011 and the timescale for any decision by Ministers may or may not be affected by that. In the meantime, discussions are ongoing with SNH and Scatsta airport in respect of their remaining objections. • Scottish Ministers may approve the wind farm consent application, they may turn it down or they may call a public inquiry where they feel a material objection(s) has not been adequately addressed. If a public inquiry is called then planning timescales and an eventual decision date could become less clear, although Ministers have the right to determine the boundaries of the issues which any public inquiry might cover.

Transmission Connection

- This is a separate process which is the responsibility of National Grid and Scottish Hydro Electric Transmission Ltd (SHETL).
- SHETL has designed a connection to Shetland. This would be developed by them if the investment is sanctioned by the electricity regulator Ofgem. Ofgem will examine the technical and commercial merits of the investment, including its value for money to electricity consumers. Ofgem also set the rate of return which SHETL is allowed to make on the investment.
- SHETL has now gained all the necessary planning approvals in respect of its proposals. An application for the AC/DC convertor station to be located in Upper Kergord was approved by Shetland Islands Council on 2 February 2011. The convertor station in Moray, at Backhillock, was approved some time ago by Moray Council.
- Ofgem is now well underway with a root and branch review of the UK's electricity transmission charging regime, through its Project TransmiT. The Westminster Government, through the Department of Energy and Climate Change, has also re-opened the possible mitigation (capping) of electricity transmission charges to the three Scottish island groups through exercising powers retained in Section 185 of the Energy Act. Both these work streams are aimed at delivering clarification on the issue of transmission charging going forwards. Both are expected to be complete by late summer 2011.
- The preferred connection design for Shetland is currently a single circuit with an overall capacity of 600MW.
- There has been a successful application by SHETL for EU funding to develop a "node" on the proposed interconnector. The node is effectively a socket into which renewable energy projects in Caithness, the Pentland Firth and offshore windfarms in the Moray Firth might be able to connect at some point in the future. The proposed Shetland connection could therefore help to underpin a much wider strategic electricity export network in the North of Scotland.

Investment Decision

- The Viking project team is committed to a position where it will not put unacceptable financial risks before Trustees for an investment decision. All aspects of the project will be subjected to intensive due diligence and scrutiny prior to any investment recommendation being made to Trustees.
- Any investment decision by the Trustees will have pre-conditions:
 - o Planning consent for the windfarm and the interconnector needs to be in place.
 - o Transmission charges need to be definitive before any recommendation can be made to Trustees to sanction any investment in the project.
 - o Fixed price contracts are needed to buy and build the wind farm.
 - o Power purchase contracts must be agreed to underpin the long term commercial value of the project's renewable electricity.
 - o Financial terms including acceptable debt/equity ratios, interest rates and capital repayment terms need to be in place. Financial terms will also need to take account of project phasing and the Trust's ability to meet its ongoing annual commitments.
- It is now expected that the required reports and presentations to Trustees will be made in the latter part of 2011 to allow a fully informed investment decision to be made at that time.
- It should be noted that there is currently nothing to suggest that the project shouldn't be capable of generating substantial financial returns to Shetland's community funds and there is nothing to suggest that this is not an opportunity that should continue to be explored to its fullest.

Viking Energy
Project Manager
March 2011

Introduction

Viking Wind Farm

In May 2009 Viking Energy submitted an application for a 150-turbine wind farm to the Scottish Government.

We have listened to many views since then and undertaken a lot of work to address concerns raised. As a result, we have removed 23 turbines and have reduced the carbon payback to less than one year.

We aim to harness Shetland's world-class wind and the wind farm could produce up to 457 megawatts of renewable electricity.

By connecting Shetland to the national electricity grid, a new industry would be introduced to the local economy, providing opportunities for future generations of islanders. A connection would also help unlock the enormous potential of Shetland's wave and tidal energy resources giving further possibilities for economic growth.

Viking Energy is a 50:50 partnership between Viking Energy Ltd and SSE Viking Ltd. Viking Energy Ltd is the company established to represent the Shetland community in large-scale wind development and is 90% owned by the Shetland Charitable Trust. The remaining 10% is held by the people who developed Burradale Wind Farm.

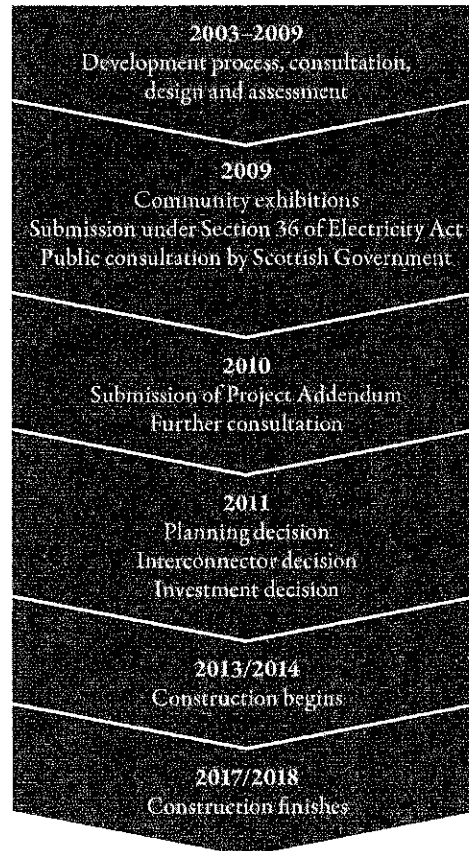
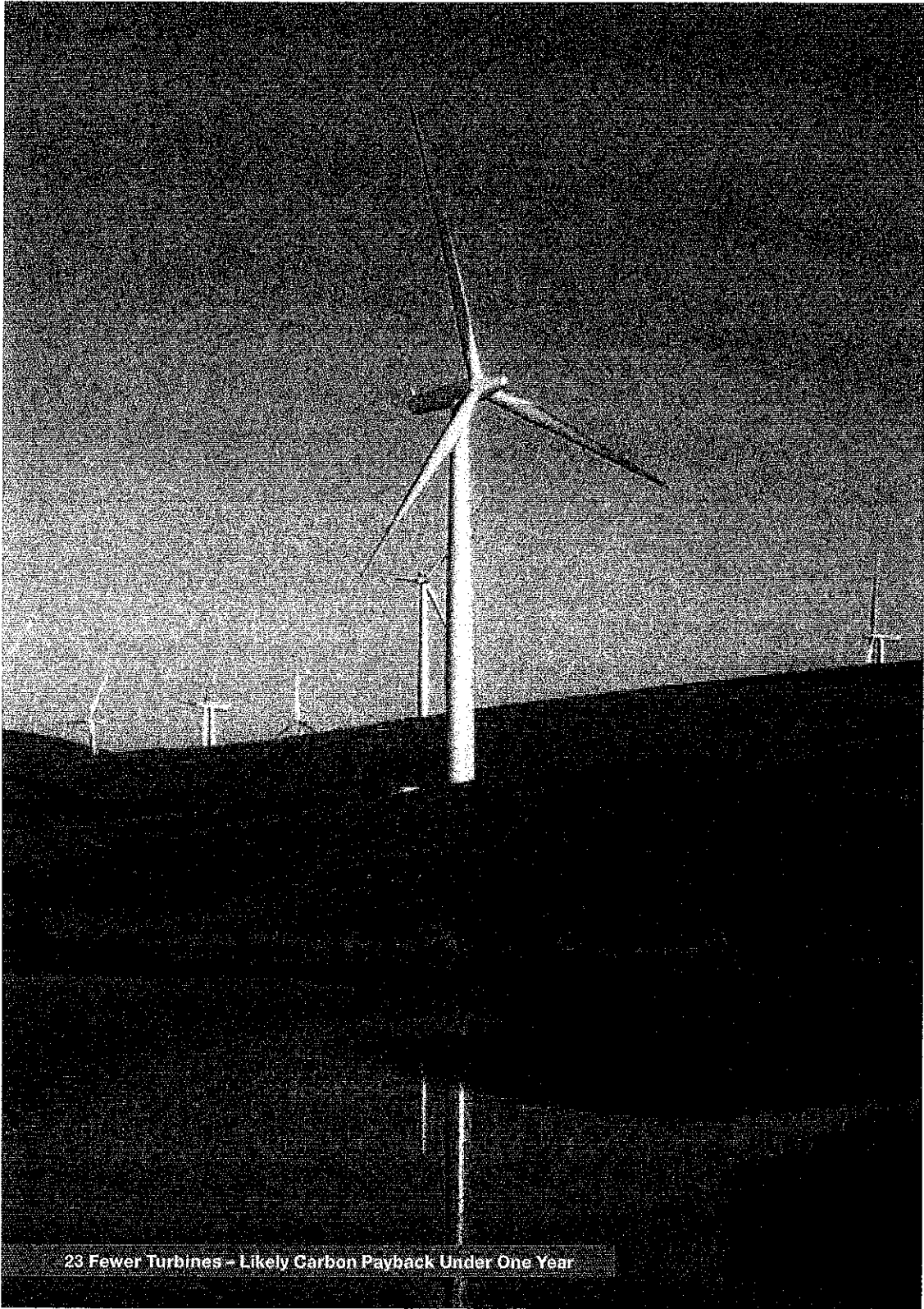


Image: Hadyard Hill Wind Farm, Ayrshire. The Viking Energy turbines will be larger than at Hadyard Hill.



23 Fewer Turbines – Likely Carbon Payback Under One Year

Benefits

- The total income for Shetland from the Viking Energy wind farm is expected to be £930 million across its lifetime.
- It is estimated the Shetland Charitable Trust will receive around £23 million, on average, each year. This income can then be used to support projects in the arts, environment, leisure and care sectors in Shetland.
- The projected income remains similar to the previous estimates despite the reduction in project size. This is mainly due to the increasing value of renewable power purchase contracts.
- Payments will be made in wages and in rents to local landlords and crofters.
- We will invest more than £1 million every year in wider, direct community benefit payments.
- Shetland-based suppliers also stand to benefit by more than an estimated £2 million of new business each year.
- A habitat management plan will invest time and resources to protect, conserve and enhance Shetland's local environment across a significantly wider area than the wind farm site.
- An archaeological heritage project will allow local communities to discover, interpret and manage their own cultural resources.

Jobs

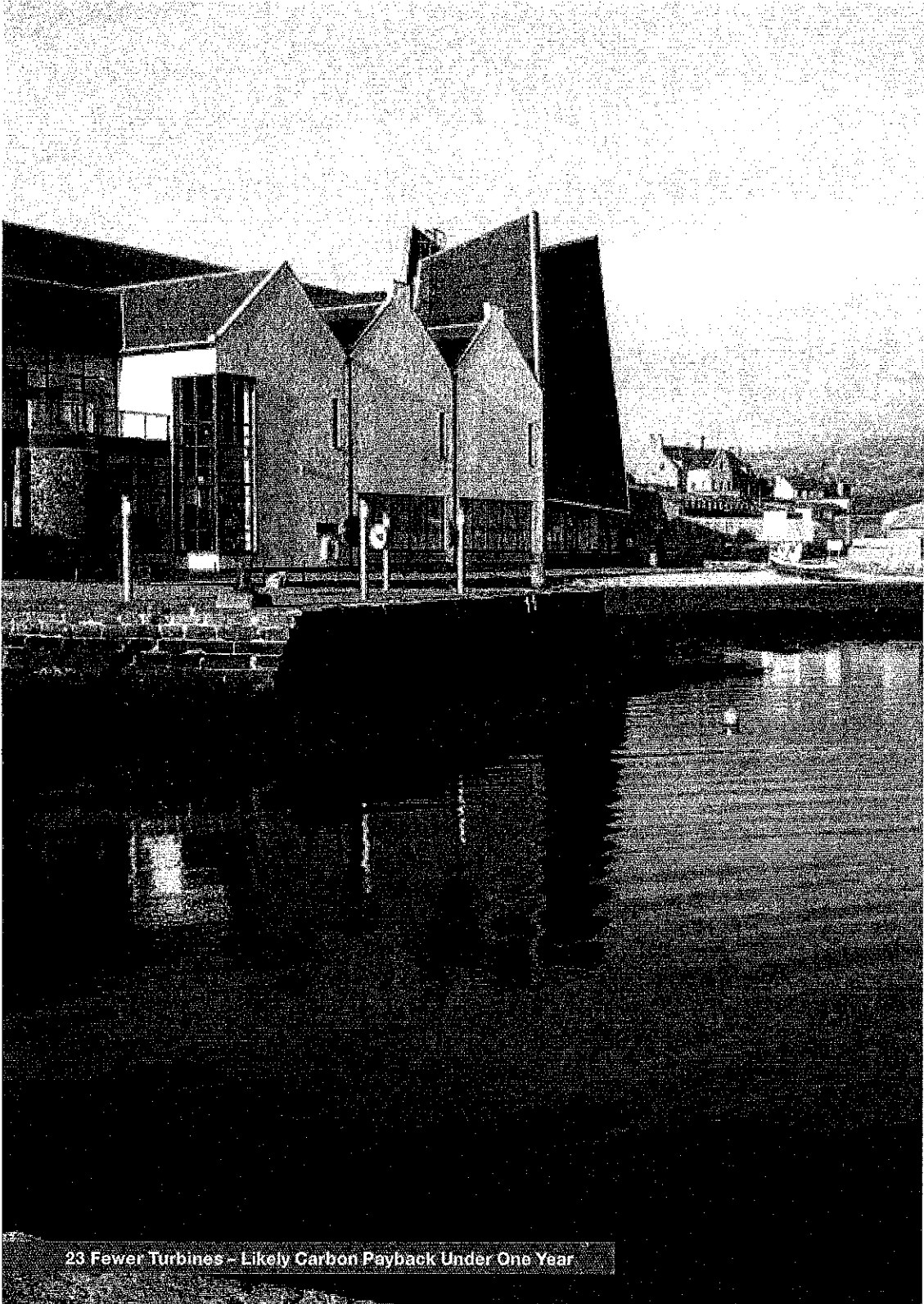
It is estimated that Viking Energy will create up to 42 direct jobs and a further 23 posts in other support services.

174 jobs would be created during the construction period.

Numerous further job opportunities could be created through the project's local economic investment.

Additional jobs could also be generated in other renewable energy sectors as a result of the capacity created on the grid by the interconnector.

All figures are averages, based on current projections, and could be subject to change.



23 Fewer Turbines – Likely Carbon Payback Under One Year

The Addendum – What's Changed

To address concerns we have made a number of changes.

These include:

- The removal of 23 turbines
- A reduction in the area covered by the wind farm of around 80 hectares
- Two fewer access junctions connecting to public roads
- 14km less of access tracks
- Changes to our habitat management plan which will improve the natural environment, or help to reduce ongoing damage
- The addition of a major heritage project

The completed wind farm will occupy 104 hectares – equivalent to 0.56% of the 18,700 hectares of the central Mainland.

Turbines

The planning application we submitted in 2009 was based on a 150 turbine wind farm. We have removed 23 turbines to reduce the impact on residents, birds and archaeology.

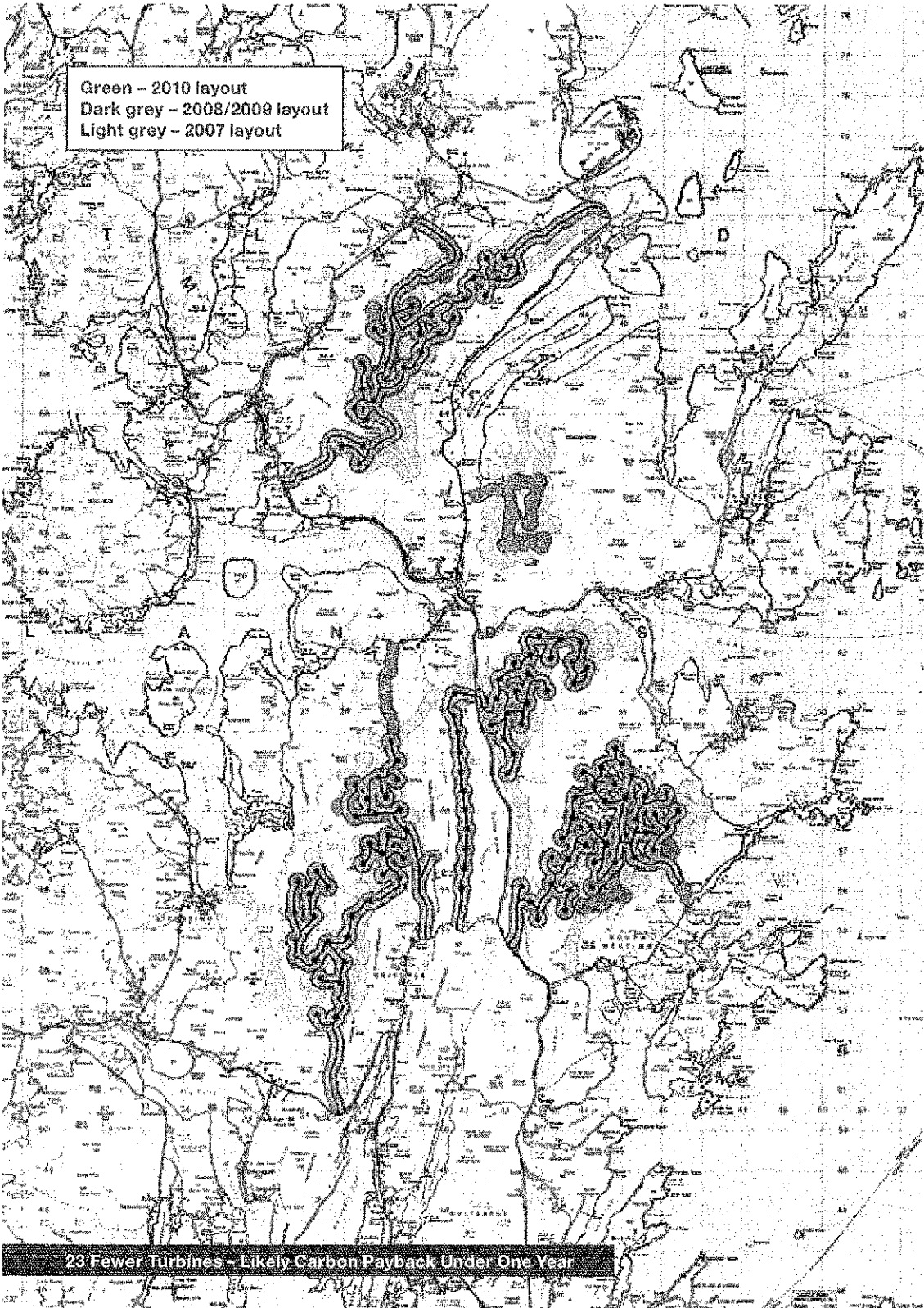
- Delting (the north-west area) had 33 turbines. Nine have been removed, leaving 24
- Collafirth (the north-east area) had eight turbines. All eight have been removed
- Kergord (the south-west area) had 47 turbines. One has been removed leaving 46
- Nesting (the south-east area) had 62 turbines. Five have been removed leaving 57

Roads

We have removed two operational access roads to avoid possible disturbance for nearby residents. These are the routes from Newing in Nesting and the route from Setter just south west of Voe.

We have reduced the entire network of access roads by 14km, bringing the total to just over 100km.

Image: This map shows the wind farm's amended footprint.



Green - 2010 layout
Dark grey - 2008/2009 layout
Light grey - 2007 layout

23 Fewer Turbines - Likely Carbon Payback Under One Year

Archaeology

We are committed to safeguarding the cultural heritage in the vicinity of the wind farm.

Detailed investigation has taken place to assess the nature of existing archaeology and its condition. These results have helped us shape the development's layout.

We will safeguard the area's cultural heritage by:

- Having an Archaeological Clerk of Works working on site, supported by additional professional field staff and specialists, as required
- Conducting walkover and geo-physical surveys during construction to finalise precise adjustments on siting in sensitive areas
- Identifying, avoiding and fencing off archaeological sites
- Doing archaeological trial trenching, coring and excavation as determined by the results of earlier work
- Recording all activity and findings in official archives

We are also planning a major heritage project to research, protect and promote the Central Mainland's archaeology.

Heritage Project

The heritage project would allow local residents and visitors alike the chance to experience, enjoy and connect with the Central Mainland's cultural heritage.

We expect this to have four elements:

- A community survey and excavation programme
- A schools programme and touring regional exhibition
- A community archive project
- Access improvements to heritage monuments

For more information on archaeology go to www.vikingenergy.co.uk

Image: Shetland has a rich archaeological heritage. Turbines will be visible more than 1km away from the site at Burn of Lunklet.



23 Fewer Turbines – Likely Carbon Payback Under One Year

Birds

The risk for birds has been dramatically reduced in the revised wind farm design.

The turbines which caused the greatest problems for birds have been removed. Rigorous assessments now suggest that the overall effect of the wind farm's construction and operation is not significant for any species.

Three birds have priority status – red throated divers, merlins and whimbrels. We plan to introduce a programme to enhance their environment which, even if only partially successful, would still mean that population gains would exceed any possible effects from the wind farm.

With the revised design, we have halved any risk of displacement for merlin and red throated divers.

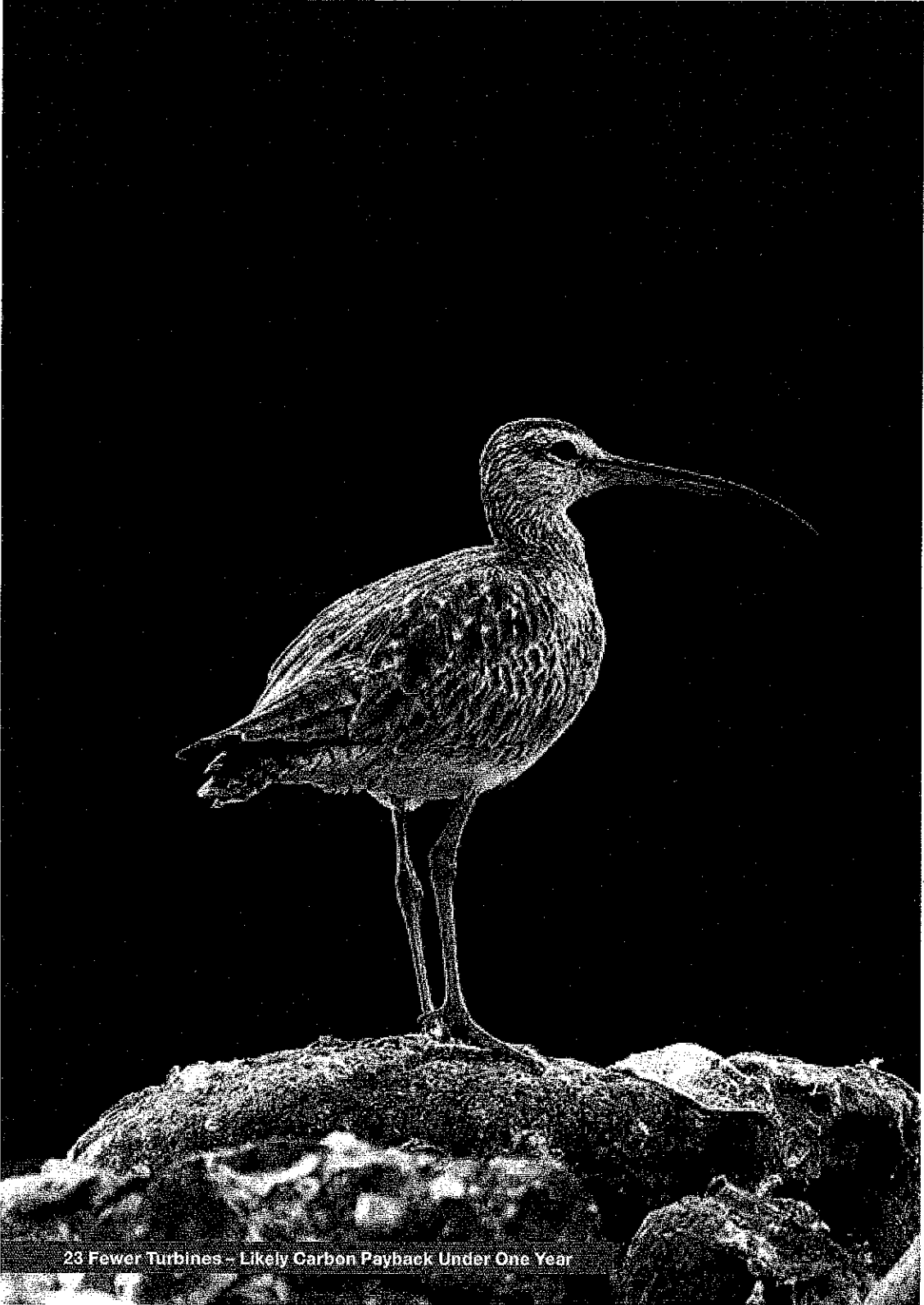
For other birds the overall effect has been reduced by:

- 56% for whimbrel
- 59% for Arctic skua
- 40% for all other species

Proposed improvements include safeguarding, restoring and enhancing lochans for red-throated divers; crow control measures to protect whimbrel and other waders; and encouraging rank heather in former merlin breeding territories.

The bird section has undergone dramatic changes since the original application was submitted.

For more extensive information on birds go to www.vikingenergy.co.uk



23 Fewer Turbines – Likely Carbon Payback Under One Year

Carbon Payback

Carbon Payback

Carbon payback was an issue which generated much discussion when we published our initial application. Since then we have undertaken a lot of work to ensure the figures we produce are clear, robust and reflect the realities of the proposed site.

The carbon payback time of the wind farm is now less than one year.

Why have the figures changed?

We have modified the standard calculations to recognise the actual site conditions rather than theoretical assumptions. The site is already a net emitter of carbon dioxide gas.

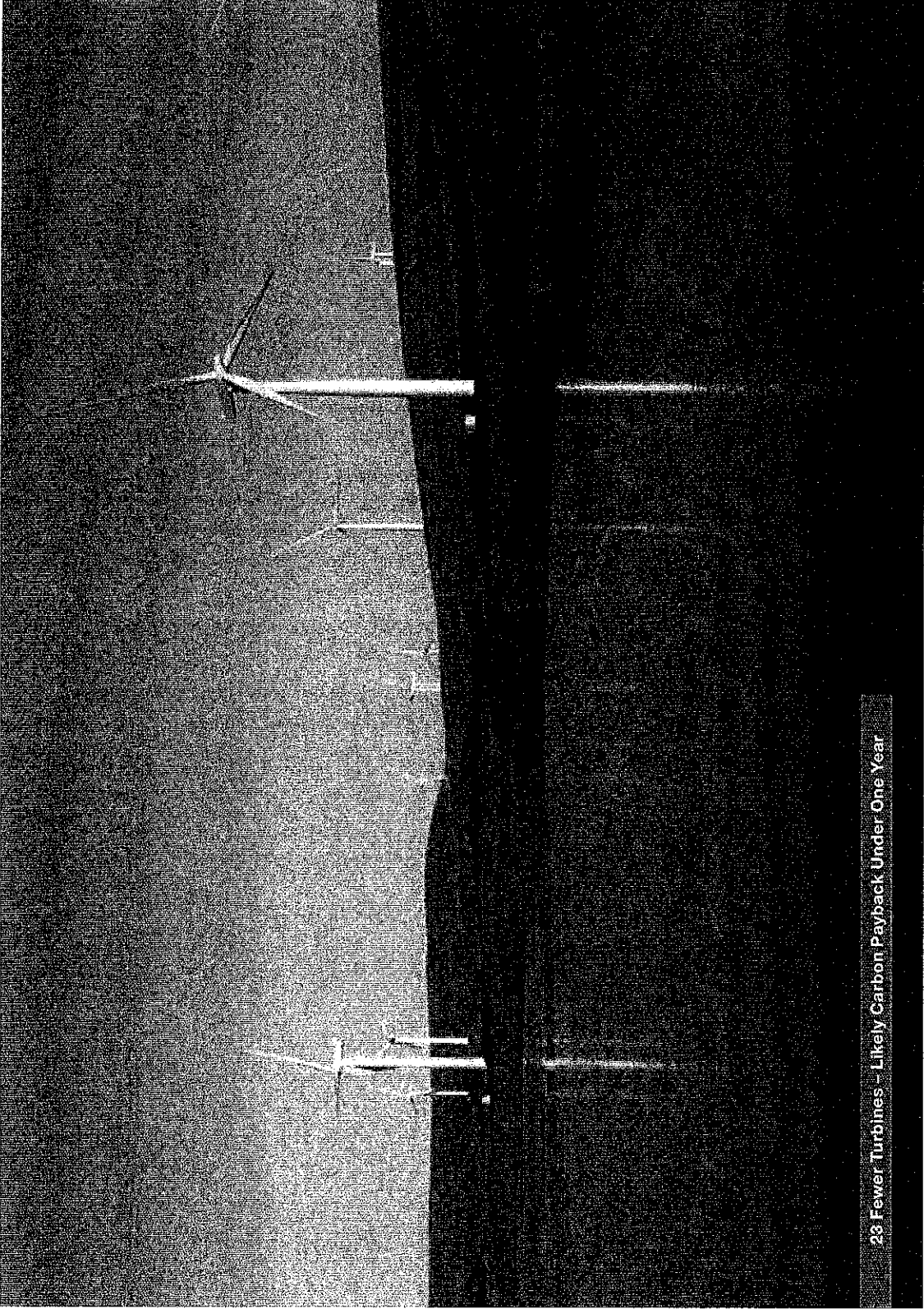
On site surveys have estimated that the majority of the peat around the site – 67.7% – is already deteriorating and releasing stored carbon.

We will seek to stabilise and restore the peatland habitat across the site to address the ongoing erosion.

The Macaulay Institute

The Macaulay Land Use Research Institute undertook an independent review of the basis of the carbon payback calculations on behalf of Viking Energy with the aim of improving both the robustness of these calculations, and to inform further assessments based upon them.

Our calculations now show that the Viking Energy wind farm could pay back its carbon in less than one year.



28 Fewer Turbines – Likely Carbon Payback Under One Year

Finance

The Shetland economy could benefit by as much as an estimated £38 million a year. Current projections indicate that an estimated £23 million a year may be paid to Shetland Charitable Trust in profits. These figures are averages – the windfarm payments will vary from year to year. To put this into context, the Trust currently spends around £1 million every month providing many services including support for elderly, infirm and vulnerable people, as well as funding for culture, sport and environmental projects.

In our addendum it is estimated that Viking Energy will spend more than £12 million on rentals to local landowners and crofting tenants, on wages, contracts for supplies, services and technical support and on community benefit and other payments.

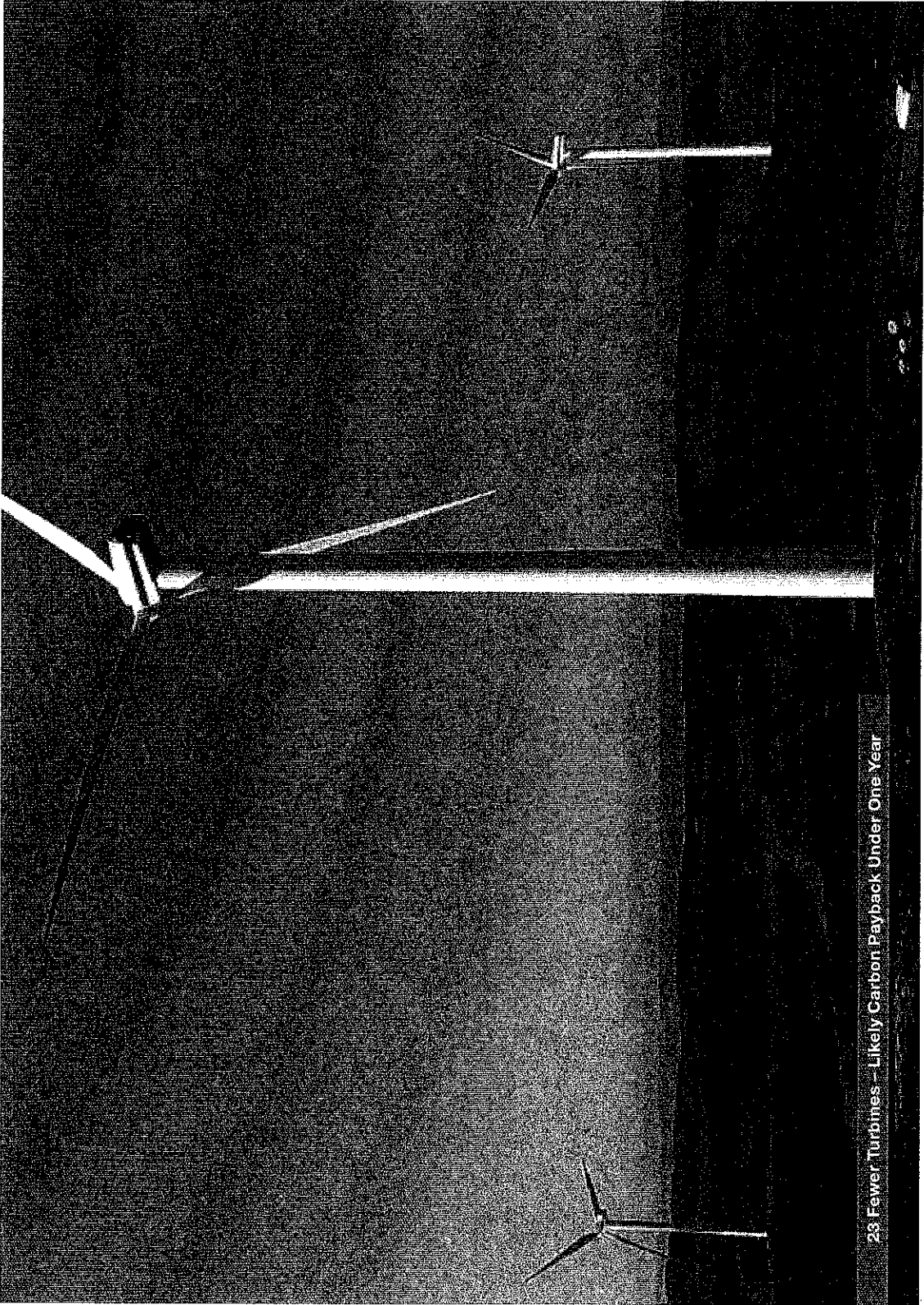
It is standard practice for local communities near a wind farm to receive an annual payment from the wind farm company, known as community benefit. It is estimated this payment could be worth around £1 million a year. The local communities usually manage community benefit themselves.

These returns are close to previous estimates despite the reduction in turbine numbers. This is mainly because of an increase in the value of long-term renewable power purchase contracts.

The project has a current estimated build cost of £685 million.

All figures are based on current projections and could be subject to change.

Image: Burradale wind farm. Shetland's existing wind farm, where the turbines are substantially smaller than those planned for Viking.



23 Fewer Turbines – Likely Carbon Payback Under One Year

Continuing the dialogue

Continuing the dialogue

We have made changes to our original application and also provided additional information and detail to help address concerns raised by members of the Shetland public, as well as statutory and other consultees. This information is contained within our Addendum, which is supplementary to the original application.

The Energy Consents Unit of the Scottish Government will consider the application.

Regardless of what is decided, investment decisions will not be firmed up until the necessary interconnector has been sanctioned and the important contracts have been finalised.

If approval is given, we would hope construction will get under way in 2013/2014 and should be completed by 2017/2018. It is anticipated the wind farm will have consent for 25 years.

To officially register your comments during the Scottish Government's current consultation, you can:

Email the Energy Consents Unit at:

energyconsents@scotland.gsi.gov.uk
quoting "Developer: Viking Energy Partnership Wind Farm".

Write to the Energy Consents Unit at:

Energy Consents Unit
Scottish Government
5 Atlantic Quay
150 Broomielaw
Glasgow
G2 8LU

For help in registering your support, you can visit the Viking Energy website at www.vikingenergy.co.uk





23 Fewer Turbines – Likely Carbon Payback Under One Year

REPORT

To: Shetland Charitable Trust

24 March 2011

From: General Manager

Report: CT1103012

Asset Replacement – Shetland Recreational Trust
South Mainland and Scalloway Swimming Pool Roofs

1. Introduction

- 1.1 This report presents the latest findings on the condition of the roof of the South Mainland and Scalloway Swimming Pools, and seeks to identify funding to replace the roofs.

2. Background

- 2.1 The Trust funded the capital cost of building the South Mainland and Scalloway Swimming Pools through the Shetland Recreational Trust (SRT). The pools were completed in 1992 at a cost of £3.09 million.

3. Present Position

- 3.1 A problem has been identified in the roof structure at Sandwick Pool, with deterioration in the outer covering sheets giving cause for concern. A similar problem has been noted at Scalloway pool, although the deterioration is not as advanced.
- 3.2 During the construction, the specification for the membrane between the purlins and the roof sheeting was changed. The membrane has deteriorated and allowed contact between the galvanised steel purlins and the aluminium sheeting, which has caused corrosion of both. Full technical details of the problem are set out in a report by Shetland Recreational Trust's Technical Manager, attached as Appendix 1.
- 3.3 The SRT has approached the Trust for funding to replace the Sandwick Pool roof as soon as possible, at an estimated cost of £200,000. SRT has asked that a similar sum is earmarked for Scalloway Pool for 2012/13. It is envisaged that the process to replace the Sandwick roof will further inform the SRT as to probable costs for Scalloway.

4. Legal Implications

- 4.1 A major failure of the main roof covering may have serious implications for SRT in terms of compliance with statutory legislation, loss of prestige and a negative view of overall governance. Furthermore, a lack of investment in the SRT's infrastructure will have a negative impact upon both the long term viability of the estate and the ability of the SRT to deliver quality services in line with current and projected requirements.
- 4.2 Doing nothing would be a breach of the Health and Safety at Work etc. Act 1974 and the Workplace (Health, Safety and Welfare) Regulations 1992. Total failure of the roof could give rise to flying debris, which could cause damage to adjacent properties and may lead to potential injuries to passers-by and building users. Notwithstanding the legal and moral obligations to ensure that this doesn't happen, SRT would also be faced (at the very least) with substantially elevated insurance premiums.

5. Financial Implications

- 5.1 During the 1990's, the Trust developed the concept of earmarked reserves for Planned Maintenance and Asset Replacement. However, following the stock market crash of 2000 and 2001, it was decided that it was not possible to retain these designated reserves. To date, planned maintenance expenditure has been met from revenue budgets but the Trust has not yet been able to develop a viable financial strategy to deal with the inevitable future needs for asset replacement and major renewal.
- 5.2 SRT has made efforts to obtain external funding which would reduce the amount sought from the Trust, but given the current economic climate this is seen as very unlikely to be successful, given the nature of the project. SRT continues to pursue all avenues of funding, including the possibility of legal action, relating to the original build, which may reduce the amount sought from the Trust.
- 5.3 The Trust's annual budget for 2011/12 stands at £10,790,606. Approval of an additional £200,000 would bring the total to £10,990,606, which remains within the target of £11 million.

6. Conclusion

- 6.1 There is a real risk that the facility will have to close, if the funding for this is not forthcoming. SRT has a legal obligation to ensure the safety of the public, so at minimum funding must be made available to render the building safe.

- 6.2 Reducing the potential for disruption due to failure will positively impact upon users of the facility and the community at large, and the task of maintenance will be substantially eased when the roof and ancillary fixings, flashings and components are renewed.

7. Recommendation

- 7.1 Trustees are recommended to approve a grant, up to a maximum of £200,000, for the purpose of replacing the roof of the Sandwich Swimming Pool. Trustees are also recommended to agree a budget of up to £200,000 for the replacement of the roof of the Scalloway Swimming Pool in 2012/13, although it could be less, depending on the findings at Sandwich. It is not ideal to set budgets in advance of setting the financial strategy for the year in question, but SRT needs certainty now, if it is to have the opportunity to link the contracts. The grants to SRT would be subject to the standard grant conditions for this type of project, attached as Appendix 2.

Reference: EMA/JPG/AJ/DT7

Report Number CT1103012

Shetland Recreational Trust

Report

To. Shetland Charitable Trust

From. Technical Services Manager

South Mainland and Scalloway Pool Roofs.

1. Introduction.

- 1.1 This report presents the background and the most up to date findings on the unexpected deterioration of the roof cladding at the South Mainland and Scalloway Pools.

2. Background.

- 2.1 South Mainland Pool roof was installed during December 1991 and through to January 1992, with Scalloway following on immediately after.
- 2.2 Several years after completion it was noted that the outline of the building block work could be identified through the external render.
- 2.3 On further investigation it was discovered that some of the local extract fans were switched along with the lights and this changed the internal pressure of the building from slightly negative to positive during the times the lights were switched off. During these times the pool atmosphere was being pushed into the wall cavity and condensing on the external wall. (It should be noted that this may also be a contributory factor to the deterioration of the external roof cladding)
- 2.4 Refurbishment work was carried out in 2003 which included redesign of the building ventilation systems and replacement of some of the external render.
- 2.5 In 2008 while carrying out a building inspection, some external corrosion was noticed especially around some of the roof fixings. This was unexpected as the life expectancy of the roof should be 25yrs +
- 2.6 In 2009 it was found that the corrosion was not only at the fixings but also across areas where the sheet came into contact with the roof purlin. By removing a roof sheet, it was also noted that the corrosion was coming from the inside out.
- 2.7 In 2010 a survey of all SRT roofs was carried out and a report was commissioned which identified that severe corrosion of the external sheets and energy purlins existed at South Mainland and Scalloway Pools, which had probably been caused by a breakdown in the breather membrane which provided the necessary protection to prevent bi-metallic corrosion between the external aluminium sheet and the galvanised steel purlin.

3. Present Position

- 3.1 Remedial repairs have been carried out by in-house staff to make the South Mainland roof, secure for the winter. This is a temporary measure and will not prevent other areas of the roof from becoming unstable.
- 3.2 Water ingress into the roofing structure is now quickening the whole process of electrolytic reaction between dissimilar metals by providing an electrolyte in the form of salt water.
- 3.3 Further investigations are being carried out to try and establish the exact cause of the roof failure, to try and prevent this from re-occurring. This has included talks with the original Architects and Structural Engineers. The Roofing sub-contractor is no longer in business and the management of the main contractor has changed so it is almost impossible to get information from these sources.
- 3.4 It is important to try and establish why the breather membrane which was specified was changed from Tyvec Breather membrane to Sisal Kraft Breather membrane as this would appear to be the only change which is common to both the sites with roofing problems.
- 3.5 A new roof design has been proposed and takes into account the use of a suitable breather membrane and also the use of dissimilar metals with poor separation.
- 3.6 Work is well under way to try and have the roof replaced this coming summer as the site is exposed for carrying out winter work.

4. Conclusion

- 4.1 It may not be possible to establish the exact cause of the failure until a larger area of roof sheets is removed or when the whole roof is removed.
- 4.2 Continued exposure of the building services to water ingress will in the longer term lead to increased capital costs and longer down time.
- 4.3 In order to carry out the required work this summer a decision on funding will need to be made by mid-April to allow for acquisition of materials.
- 4.4 Failure to replace the roof at South Mainland Pool will eventually result in the building being closed and the roof netted to prevent external sheets from blowing away.
- 4.5 The cause of the failure may already have been resolved with the re-design of the ventilation system which establishes a constant slightly negative pressure within the building.

5. Cost

644 sq metres roofing £150,000
+ 10% contingency £15,000
£165,000 +VAT
£198,000

Bertie Cooper
Technical Services Manager
Shetland Recreational Trust
Tel. 01595 698991

Appendix 2

This grant is subject to the following conditions: -

- (a) no instalments of grant will be paid until the Trust has received:
 - (i) if appropriate a copy of all relevant statutory consents for this project;
 - (ii) if and when required, satisfactory evidence that the facility/land is in the ownership of the grantee;
 - (iii) if appropriate, evidence that the grantee maintains charitable status.
- (b) that the grantee undertakes to spend the grant, and any interest earned thereon, solely in the interests of Shetland and its inhabitants for the grant purpose specified, acknowledging that individuals or bodies who do not form part of the community may benefit indirectly from this facility;
- (c) that the grant offer letter is accepted and returned within six weeks of the letter date;
- (d) that the grantee makes every effort to obtain external funding which might further reduce sums presently sought from the Trust;
- (e) the grantee shall make available for inspection by Trust officials any equipment, etc. pertinent to this grant;
- (f) should at any time the grantee decide to sell any item of equipment, etc. purchased by means of this grant the grantee must inform the Trust who will be entitled to seek reimbursement of a proportion of grant at its discretion;
- (g) The grantee shall acknowledge the assistance from the Trust by way of such plaque or logo as may be appropriate;
- (h) that the grantee accounts for the application of the grant in statements to the Trust, the statements to be of a format and frequency to be agreed by the Financial Controller;
- (i) that the grantee provides within four months of the end of the period for which the grant was given, accounts prepared in accordance with current regulations, showing how the grant was applied and what surplus remains (if any);
- (j) that any unused monies at the end of the period funded be repayable to the Trust;
- (k) that in the event of any of the foregoing conditions being breached, the grant may be repayable, in full or in part, at the sole discretion of the Trustees of the Trust.

REPORT**To:** Shetland Charitable Trust

24 March 2011

From: General Manager

Report: CT1103013

**Shetland Development Trust Surplus
Application for Funding COPE Limited****1. Introduction**

- 1.1 Trustees accepted the following recommendation when considering COPE in my report of the Budget for 2011/12. "I recommend funding of £154,967, which is a standstill on the current level, but recognise that the Trust may be requested to increase their funding when the current review is complete." That review is now complete.
- 1.2 This report presents a request by COPE Limited for additional funding of £288,000, which is over and above their recently approved budget for 2011/2012. This is to allow them to continue to provide placements for adults with additional support needs. If Trustees are minded to agree to that request, I will recommend that the increase in budget is funded from the Shetland Development Trust surplus monies.

2. Background

- 2.1 COPE became a registered charity in June 1998 and currently operates a range of enterprises in Lerwick including Shetland Soap Company, COPE Catering, COPE Pet supplies, Karibuni Delicatessen, COPE Trees and Shrubs and the Shetland Scrapstore.
- 2.2 At present COPE employees around 50 people, 11 of whom have a disability. COPE also provide placements for approximately an additional 50 people with learning and physical disabilities. In addition to this COPE cater for Bridges participants, clients from Criminal Justice Department, Shetland College Students and general volunteering. The number of weekly hours each participant spends at COPE varies from one hour to 35 hours.
- 2.3 In recent years COPE has received in the region of £600,000 of funding per annum from local public and community sources in order



to sustain the various services and enterprises that it operates. In financial year 2010/11 COPE received funding as follows:

• Shetland Islands Council (SIC), Community Care	£52,000
• SIC, Infrastructure – Recycling	£52,000
• Shetland Charitable Trust (SCT)	£155,000
• Shetland Development Trust (SDT)	£175,000
• SCT, using SDT surplus monies	<u>£175,000</u>
	<u>£609,000</u>

It should be noted that COPE, through its various activities, generates around a further £600,000 from trading and other income.

- 2.4 Trustees will recall that the arrangement where SDT provided unconditional funding from its surplus ceased with effect from 1 April 2010. This decision left COPE facing a substantial shortfall in funding.
- 2.5 At a meeting of the SIC's Development Committee on 29 April 2010 and at a meeting of the SIC's Services Committee on 6 May 2010 members approved a report entitled "*COPE – Interim Lifeline Funding for 2010*" (Min Refs: DC26/10, SC40/10). This report approved the award of interim funding to COPE of up to £175,000 from SDT for the six-month period of April to September 2010 inclusive. It also allowed additional time for COPE to finalise its Strategic Plan for 2010-2013 and present this to the SIC for consideration.
- 2.6 At a meeting of the SIC's Services Committee on 2 September 2010 members approved a report entitled "*COPE – Update on future funding arrangements*" (Min Ref: SC 79/10). This report approved COPE's new Strategic Plan for 2010-2013 and provided delegated authority to the Head of Community Care, or nominee, to enter into detailed negotiations with COPE and SCT in order to develop a new funding mechanism and long term funding solution for COPE.
- 2.7 At a meeting of SCT on 8 September 2010 Trustees approved a report entitled "*Application for funding - COPE*" (Min Ref: SCT 55/10). This report approved the award of a further tranche, £175,000 of lifeline funding to COPE for the six-month period of October to March 2011 inclusive. This funding ensured COPE would have sufficient funds to continue to the end of the current financial year. Trustees agreed that this funding should be set against the monies received by SCT from SDT.
- 2.8 The SIC's Community Care Service, Economic Development Unit (EDU) and SCT reviewed previous funding arrangements and agreed short term and long term funding for COPE should no longer include a contribution from SDT. However, EDU have indicated it would still consider applications from COPE for one off projects on a case-by-case basis.

3. Present Position

- 3.1 COPE appointed an Interim General Manager during the summer of 2010 and has recently recruited three new Board members. This should assist with the delivery of its Strategic Plan objectives over the next three years.
- 3.2 Meetings have taken place in the past year between officers in the SIC's Education and Social Care Department and SCT, to review COPE's current situation and to consider future funding arrangements.
- 3.3 Progress with the new funding model has been linked to the SIC's and SCT's budgetary processes for 2011/12. Now that both organisations have set their respective budgets for the next financial year, officers have been able to finalise their proposals for the new funding mechanism for funding for COPE in 2011/12. Funding for future years and in the longer term remains uncertain given the poor projections for public sector finance over the next 15 years.
- 3.4 It is projected that the number of people in Shetland with physical and/or learning disabilities could almost double from current levels to approaching 200 by the year 2020.
- 3.5 The SIC's Services Committee has agreed a new funding mechanism for COPE which is linked to the provision of placements to adults with additional support needs, and have agreed to increase the funding to cope by £62,000. The revised funding package is as follows:

• Shetland Islands Council (SIC), Community Care	£114,000
• SIC, Infrastructure – Recycling	£52,000
• Shetland Charitable Trust (SCT)	£155,000
• Shortfall	<u>£288,000</u>
	<u>£609,000</u>

The above leaves COPE with a £288,000 shortfall in their income for the 2011/2012 financial year. COPE has approached SCT to make up this shortfall.

4. Financial Implications

- 4.1 SCT receives income in the form of a discretionary gift from SDT surpluses. SCT can claim tax on these payments. This income cannot be relied upon, although it would be reasonable to expect it to continue for the next few years. Income received to date would be sufficient to cover the sum requested.
- 4.2 The additional funding of £288,000 from income from the SDT surpluses plus SCT's already committed funding of £155,000 would

bring the total SCT funding to COPE to £443,000 in the new financial year.

- 4.3 It is not intended that this additional funding becomes part of the Trust's ongoing budgets for future years, and funding will be dependent on available resources at the time.

5. Conclusion

- 5.1 COPE provides a service to a number of people with additional support needs. Without additional funding, COPE would face financial difficulties, and would not be able to operate. This would place additional strain on Shetland's resources.

6. Recommendation

- 6.1 Trustees are recommended to approve a grant of up to £288,000 to COPE from the income from SDT surpluses, for one year, for the purpose of assisting with the cost of providing 50 sessions per week to adults with additional support needs in the year to 31 March 2012. This additional funding would be met from the Trust's available resources and will not impact on the already approved budget total set for 2011/2012.

Reference: JPG/EMA/DO6

Report Number CT1103013

REPORT**To:** Shetland Charitable Trust

24 March 2011

From: General Manager**Report:** CT1103014**Risk Management – Annual Review****1 Introduction and Key Decisions**

- 1.1 Trustees are asked to consider the Risk Management Assessment, and agree the potential risks which have been identified, the likelihood of them occurring, the severity of impact (should they occur) and the action list which identifies the steps which need to be taken to mitigate those risks.

2 Background

- 2.1 The most recent Statement of Recommended Practice (SORP) for the preparation of the Trust's Annual Report and Accounts requires the Trust to make a statement confirming that:

"...the major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems have been established to mitigate those risks."

- 2.2 Although many aspects of Risk Management are already imbedded in the management of the Trust's business, it is considered good practice to adopt a formal, systematic evaluation of risk on a regular basis.
- 2.3 The Trust's Risk Management Assessment is now reviewed quarterly by officers, and annually by a sub group of Trustees. The final draft Assessment is then presented to all Trustees for comment and subsequent approval.

3 Risk Management Framework

- 3.1 The Risk Management Assessment for the Trust is included at Appendix 1. The potential risks facing the Trust, are considered under the following headings:
- Governance and Management
 - Compliance Risks (Laws and Regulation)
 - Operational Risks
 - Financial Risks

4

- Environmental / External Factors

3.2 Appendix 1 also explains the potential impact of each of the risks identified, should that event occur.

3.3 The next step is to consider the likelihood of that potential risk occurring. The definitions used are:

Descriptor	Description
Almost certain	I would not be at all surprised if this happened within the next few months
Likely	I think this could occur sometime in the coming year or so
Possible	I think this could maybe occur at some point, but not necessarily in the immediate future
Unlikely	I would be mildly surprised if this occurred, but cannot entirely rule out the possibility
Rare	I would be very surprised to see this happen, but cannot entirely rule out the possibility

3.4 It is also then necessary to think about how severe the impact will be on the business of the Trust, should the event occur. The severity of impact has been categorised from “insignificant” to “catastrophic” using the following classifications:

- Insignificant
- Minor
- Significant
- Major
- Catastrophic

for their potential impact on: personal safety; property loss or damage; failure to provide statutory service or breach of legal requirements; financial loss or increased cost of working; disruption in service; personal privacy infringement; environmental; community and embarrassment.

3.5 The Risks are then plotted on a Residual Risk Rating Matrix and, for simplicity, the matrix classifies risks as either red, amber or green. The degree of urgency and importance increases as you move along the matrix from a “rare and insignificant” risk to an “almost certain catastrophic” risk. This is the scoring system that was used.

Residual Risk Rating Matrix: Framework

FREQUENCY

S E V E R I T Y		Rare	Unlikely	Possible	Likely	Almost Certain
	Insignificant				4	
	Minor			6	8	
	Significant		6	9		
	Major	4	8			
	Catastrophic					

- 3.6 The Risk Management Working Group met on 18 February 2011 to review the Risk Management Assessment. The risks identified are categorised below.

Residual Risk Rating Matrix: Shetland Charitable Trust

FREQUENCY

S E V E R I T Y		Rare	Unlikely	Possible	Likely	Almost Certain
	Insignificant				0	
	Minor			0	0	
	Significant		8	1		
	Major	1	2			
	Catastrophic					

- 3.7 The Trust has identified 33 potential risks, which may impact on the business of the Trust. In this review, 2 have been classified as Red, 12 as Amber and 19 as Green.
- 3.8 Priority will be given to tackling any issue which has a high likelihood of occurring and a significant impact on service delivery should it occur. Only two Red risks were identified, and neither were in the "catastrophic" category.
- 3.9 The two Red risks are in the areas of conflict of interests and compliance with charity law. Both areas are included within the current governance review.

4 Financial Implications

- 4.1 There are no financial implications associated with this report.

5 Recommendations

5.1 I recommend that Trustees

- (a) approve the Risk Management Assessment set out in Appendix 1;
- (b) note that progress on the actions will be reported to Trustees, from time to time; and
- (c) agree that the major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems have been established to mitigate those risks.

General Manager
Shetland Charitable Trust
7 March 2011

Report No CT1103014
File: TA20

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
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Governance and Management

Charitable Status removed [AMBER]	<ul style="list-style-type: none"> Wind up SCT 	Unlikely	Major	<ul style="list-style-type: none"> Seeking legal advice Continuing the work of the Governance Review Group to find a satisfactory outcome for the regulator and the Trust
The charity lacks direction, strategy and forward planning [AMBER]	<ul style="list-style-type: none"> The charity drifts with no clear objectives, priorities or plans. The relationship between what should be provided as core services and what the Trust should support as valued added services remains unclear. Issues are addressed piecemeal with no strategic reference. Needs of beneficiaries not fully addressed. Financial management difficulties. Loss of reputation 	Unlikely	significant	<ul style="list-style-type: none"> The Trust has a long term approach to financial planning, which feeds a 3-Year Budget Strategy Regular Management Accounts and Invested Reports are presented to Trustees and discussed A system of service performance monitoring has been established the Annual Report Review Corporate Plan [ACTION]

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Trustee body lacks relevant skills or commitment [AMBER]	<ul style="list-style-type: none"> Charity becomes moribund or fails to achieve its purpose Decisions are made by-passing the Board Resentment or apathy amongst staff Poor value for money on service delivery 	Unlikely	Significant	<ul style="list-style-type: none"> Skills list for new trustees, to identify gaps and take remedial action – training or bought in expertise Competence Framework and Job Descriptions Trustee Training – induction and ongoing (personal development plans) Trustees to be encouraged to access national organisations/websites etc. Risk management framework reviewed quarterly by officers and annually by Trustees
Board of Trustees dominated by one or two individuals or by connected individuals [AMBER]	<ul style="list-style-type: none"> Decisions may be taken outside of Trustee body External political interference Trustees' external interests may give rise to conflicts of interest, or the perception of conflict Pursuit of personal agendas Culture of secrecy and deference Arbitrary over-riding of control mechanisms 	Unlikely	Significant	<ul style="list-style-type: none"> Understanding of trust law. Protocol for disclosure of potential conflicts of interest in place. Procedures for not participating in certain decisions in place. Procedural framework for meetings and recording decisions

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Trustees are benefiting from charity (eg remuneration) [GREEN]	<ul style="list-style-type: none"> • Reputation, morale and ethos • Impact on overall control systems • Conflicts of interest • Regulatory action 	Rare	Minor	<ul style="list-style-type: none"> • Ensure legal authority for payment or benefit • Ensure procedures for scrutiny and sign-off in place
Conflicts of Interest [RED]	<ul style="list-style-type: none"> • Risks of conflicts of interest arising in a small community:- <ul style="list-style-type: none"> ○ from all SIC councillors being Trustees of the SCT. ○ from Trustees of the SCT being appointed by the Council as Trustees / Directors on Council created Trusts/Companies. • Charity unable to pursue its own interests and agenda • Decisions may not be based on relevant considerations and may be challenged • Impact on reputation – reputational damage and financial loss 	Likely	Significant	<ul style="list-style-type: none"> • Understanding of Trust Law • Review of Governance • Protocol for disclosure of potential conflicts of interest • Procedures for standing down on certain decisions.

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
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Compliance Risk (law and regulation)

<p>Compliance with legislation and regulations</p> <ul style="list-style-type: none"> • Data Protection • Employment Law • Human Rights • Disability Discrimination <p>[GREEN]</p>	<ul style="list-style-type: none"> • Fines or penalties. • Action for negligence. • Reputational risks 	Rare	Significant	<ul style="list-style-type: none"> • Identify key legal and regulatory requirements. • Allocate responsibility for key compliance procedures. • Service Level Agreements in place • Legal Advisers employed
<p>Compliance with Charity Law</p> <p>[RED]</p>	<ul style="list-style-type: none"> • Action for negligence. • Reputational risks 	Likely	Significant	<ul style="list-style-type: none"> • Identify key legal and regulatory requirements • Legal Adviser – awaiting Counsel's advice
<p>Regulatory reporting requirements</p> <p>[GREEN]</p>	<ul style="list-style-type: none"> • Regulatory action. • Reputational risks. 	Rare	Minor	<ul style="list-style-type: none"> • Compliance procedures and allocation of staff responsibilities.

Appendix 1

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Professional advice [GREEN]	<ul style="list-style-type: none"> • Errors or omissions • Failure to meet deadlines • Failure to address local service needs or compliance risks. 	Rare	Significant	<ul style="list-style-type: none"> • Service Level Agreements in place and annually reviewed • Contracts regularly reviewed • Legal Adviser / External Audit arrangements. Regularly reviewed • Insurance provision regularly reviewed
Organisational structure [GREEN]	<ul style="list-style-type: none"> • Lack of information flow and poor decision making • Remoteness from operational activities • Uncertainty as to roles and duties. • Decisions made at inappropriate level or excessive bureaucracy 	Rare	Insignificant	<ul style="list-style-type: none"> • Organisational chart and clear understanding of roles and duties • Delegation and monitoring consistent with good practice and constitutional or legal requirements • Review of structure and constitutional change
Activities potentially outside objects, powers or terms of gift (restricted funds) [GREEN]	<ul style="list-style-type: none"> • Loss of funds available for beneficiary class • Potential for breach of trust and regulatory action • Taxation implications (if non-qualifying expenditure) 	Rare	Significant	<ul style="list-style-type: none"> • Protocol for reviewing new projects to ensure consistency with objects, powers and Budget Strategy • Legal adviser

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Loss of key staff [AMBER]	<ul style="list-style-type: none"> • Experience or skills lost. • Operational impact on key projects and priorities. • Loss of contact base and corporate knowledge. 	Possible	Significant	<ul style="list-style-type: none"> • Documentation of systems, plans and projects regularly reviewed. • Training programmes. • Notice periods and handovers. • Recruitment processes
Reporting to trustees (accuracy, timeliness and relevance) [GREEN]	<ul style="list-style-type: none"> • Inadequate information resulting in poor quality decision making. • Failure of Board to fulfil its control functions. • Board becomes remote and ill informed. 	Rare	Minor	<ul style="list-style-type: none"> • Proper strategic planning, objective setting and budgeting processes. • Timely and accurate service performance reporting. • Timely and accurate financial reporting. • Proper project assessment and authorisation procedures. • Regular contact between trustees, the General Manager and the Chairman

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Operational Risk				
Contract risk [GREEN]	<ul style="list-style-type: none"> Unclear contractual / partnership relationship with funded organisations Potential indirect subsidy of public provision. 	Unlikely	Minor	<ul style="list-style-type: none"> Application Form / Service Level Agreement with funded organisations. Performance Monitoring arrangements documented and reviewed annually Regularly reviewed and updated
Service provision – beneficiary satisfaction [GREEN]	<ul style="list-style-type: none"> Beneficiary complaints. Negligence claims. Reputational risks. 	Unlikely	Minor	<ul style="list-style-type: none"> Service performance monitoring procedures. Complaints procedures.
New project or service delivery and development [GREEN]	<ul style="list-style-type: none"> Compatibility with SCT objects, plans and priorities. Inadequate assessment of need Funding and financial viability and sustainability 	Unlikely	Minor	<ul style="list-style-type: none"> Project Appraisal procedures Application Forms / Service Level Agreements Role of Service Co-ordinator as defined in the Trustee handbook Performance monitoring procedures.

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Capacity and Use of Resources, including tangible fixed assets [GREEN]	<ul style="list-style-type: none"> Under-utilised or lack of building / office space Spare capacity not being utilised Buildings not properly maintained 	Unlikely	Minor	<ul style="list-style-type: none"> Building and Plan Inspection Programme Repairs and Maintenance Programme
Security of assets [GREEN]	<ul style="list-style-type: none"> Loss or damage. Theft of assets. Infringements of intellectual property rights. 	Unlikely	Minor	<ul style="list-style-type: none"> Review of security. Asset Register Facilities Management arrangements Safe custody arrangements for title documents. Insurance Reviews

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
<p>Employment issues [GREEN]</p>	<ul style="list-style-type: none"> • Employment disputes • Health and Safety issues • Claims for injury, stress, harassment, unfair dismissal • Equal opportunities issues • Adequacy of staff training • Child protection issues • Low Morale 	Unlikely	Minor	<ul style="list-style-type: none"> • Recruitment processes • Job training and development • Job descriptions / tasks • Reviews Health and safety training
<p>Health, Safety and Environment [GREEN]</p>	<ul style="list-style-type: none"> • Staff injury • Product or service liability • Ability to operate 	Unlikely	Minor	<ul style="list-style-type: none"> • Compliance with law and regulation • Training • Risk Assessments and Reporting procedures

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
<p>Disaster recovery and planning – business continuity</p> <p>[AMBER]</p>	<ul style="list-style-type: none"> • Computer system failures or loss of data. • Destruction of property, equipment, records through fire, flood or similar damage. 	Unlikely	Minor	<ul style="list-style-type: none"> • IS recovery plan. • Data back up procedures and precautions. • Disaster recovery plan for alternative accommodation. • Insurance Cover
<p>Procedural and systems documentation</p> <p>[GREEN]</p>	<ul style="list-style-type: none"> • Lack of awareness of procedures and policies. • Actions taken without proper authority. 	Rare	Significant	<ul style="list-style-type: none"> • Proper documentation of policies and procedures. • Audit and review systems in place and regularly reviewed.
<p>Information Technology</p> <p>[GREEN]</p>	<ul style="list-style-type: none"> • Systems fail to meet operational need. • Failure to innovate or update systems. • Loss/corruption of data • Lack of technical support. 	Rare	Insignificant	<ul style="list-style-type: none"> • Use of service level agreements and support contracts. • Disaster recovery procedures.

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Insurance Cover Inadequate [GREEN]	<ul style="list-style-type: none"> Financial loss 	Rare	Insignificant	<ul style="list-style-type: none"> Service Level Agreement (Insurance and Risk) Annual Insurance Review

Financial Risks

Budgetary control and financial reporting [AMBER]	<ul style="list-style-type: none"> The current spending programme is not affordable or sustainable Budget does not match key objectives and priorities. Decisions made based on unreliable data. 	Unlikely	Significant	<ul style="list-style-type: none"> Targets achieved for spending reduction set out in 3 year Budget Strategy. Budgets linked to business planning and Trust objectives. Timely and accurate monitoring and reporting for all aspects of the Trust's business.
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Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
<p>Protection of Reserves / Endowment and Dependency on income sources [AMBER]</p>	<ul style="list-style-type: none"> • The current spending programme is not affordable or sustainable • Inability to meet commitments or planned objectives. • Financial loss through inappropriate or speculative investments • Financial loss through lack of investment advice or lack of diversity • Cash flow difficulties through lack of liquidity • Inability to meet commitments or key objectives. • Ability to function as going concern. 	<p>Unlikely</p>	<p>Major</p>	<ul style="list-style-type: none"> • Reserves / Investment Strategy • Investment Adviser / Fund Management contracts • 3 Year Budget Strategy • Regular Reporting of Investment Performance • Performance review of beneficiaries • 5 year maintenance plan • Selection and review of fund managers

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Inappropriate or loss-making non-charitable activities [AMBER]	<ul style="list-style-type: none"> Resources and energy diverted from core activities. Regulatory action, and accountability. Reputational risk if publicised. 	Unlikely	Significant	<ul style="list-style-type: none"> Adequate authorisation procedures for any funding provided by charity (prudence, proper advice, investment criteria) Legal Adviser
Fraud or error [AMBER]	<ul style="list-style-type: none"> Financial loss. Reputational risk. Regulatory action 	Rare	Major	<ul style="list-style-type: none"> Financial control procedures. Segregation of duties. Authorisation limits. Security of Assets Insurable Risks

Environmental / External factors

Contaminated Land [AMBER]	<ul style="list-style-type: none"> Potential financial and other liabilities 	Unlikely	Significant	<ul style="list-style-type: none"> Restoration clauses
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Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Failure to communicate [AMBER]	<ul style="list-style-type: none"> Impact on beneficiaries Impact on morale of staff. Adverse publicity / Public Perception 	Unlikely	Significant	<ul style="list-style-type: none"> Complaints Procedure Media Strategy and Support in place Website established and kept up to date
Failure to plan for demographic changes [GREEN]	<ul style="list-style-type: none"> Impact of demographic distribution of beneficiaries. Increasing beneficiary class – older people and people in need 	Unlikely	Minor	<ul style="list-style-type: none"> Profiling and understanding of beneficiary needs Use of actuarial analysis to establish future funding requirements
Failure to secure value for money from current arrangements [GREEN]	<ul style="list-style-type: none"> Inefficient use of funds 	Unlikely	Significant	<ul style="list-style-type: none"> Application Forms Performance Monitoring Financial and Management Reports and Information

REPORT

To: Shetland Charitable Trust

24 March 2011

From: General Manager

Report: CT1103015

Review of Grant Aid Schemes Community Development Grants and Community Support Grants

1. Introduction

1.1 This report is presented to ask Trustees to agree changes to the Community Support and Community Development grant schemes administered on the Trust's behalf by Shetland Islands Council (SIC). The Schemes are run in parallel with the SIC's grant schemes, which saves duplication of the application process and ensures consistency across the voluntary organisations in Shetland.

2. Background

2.1 For some years, the SIC has acted as the Trust's agent in approving grants under the Community Support and Community Development Grant Schemes. Each approval is subject to defined parameters, and a list is presented to Trustees at regular intervals, for information.

2.2 Any change to the criteria of the Schemes must be presented to Trustees for approval.

3. Present Position

3.1 A review has been carried out of the grant schemes, which after extensive consultation with officers of the Trust and community groups, has proposed changes to the criteria pertaining to the Community Development Grant Scheme. The changes to the level of grants are set out in the table below.

	Previous	Proposed
Adult Groups	50% up to £1,000	50% up to £500
Adult Associations / Umbrella Groups	50% up to £2,000	50% up to £1,000
Junior Groups	75% up to £1,500	75% up to £1,000
Junior Associations / Umbrella Groups	75% up to £4,000	75% up to £3,500

The changes outlined above will ensure that priority will continue to be given to Junior Groups and Associations.

3.2 Other proposed changes to the administration of the scheme are as follows:-

- Groups with unrestricted reserves of over £10,000 will be asked to explain why they hold that level of funding, and may have their grant reduced or refused as a result;
- Umbrella Groups will be able to apply for a higher level of funding;
- Adult groups will only be considered for funding to travel to off island events if they are representing Shetland, the region or a national body, or where the travel is for a course or event which will further benefit their group or the wider community;
- Electronic application forms will be introduced when practical;
- A new grant condition will be introduced to ensure compliance with the Protection of Vulnerable Groups (PVG) legislation.

3.3 Following on from the consultation outcomes, the only changes proposed to the Community Support Grant Scheme is the introduction of electronic application forms when practical and a new grant condition covering compliance with the PVG legislation.

4. Financial Implications

4.1 Any reduction in the level of grants awarded may result in savings to the Trust.

5. Recommendation

5.1 Trustees are asked to approve the changes to the Community Development Grants set out in paragraph 3 above.

Reference: EMA/DC5

Report Number CT1103015

REPORT

To: Shetland Charitable Trust

24 March 2011

From: Financial Controller

Report: CT1103019

SLAP – Progress Report

1 Introduction

- 1.1 This report is presented to inform Trustees on progress in and activity by the Trust's wholly owned property company, Shetland Leasing and Property Developments Limited, (SLAP).
- 1.2 As a charity, the Trust can only make investments that HM Revenue & Customs (HMRC) have approved as 'qualifying'. HMRC have agreed that the Trust's investment in SLAP is a qualifying investment provided that investment is made to make money, i.e. on a 'commercial' basis. Trustees have decided that this condition will be best fulfilled if the Directors of SLAP ensure that each investment is made on a commercial basis. I am content that the current returns made by SLAP on its portfolio are commercial.
- 1.3 SLAP has more than 30 leased properties with a total value of £18 million. They are listed in Appendix A. SLAP has a wide range of local private sector tenants, and other tenants are BP and the Scottish Government. Around one fifth of the properties are leased to Shetland Islands Council and the Council accounts for about one quarter of SLAP's rental income. SLAP also owns a Britten Norman Islander plane and a vessel, the Moder Dy, both of which are leased to Shetland Islands Council. SLAP's turnover (rents plus asset leasing income) will be £2.7 million in 2010/11.

2 Purchases and Sales in 2010/11

- 2.1 SLAP has not purchased a new property in the year.
- 2.2 Laxfirth Slaughterhouse was sold in April 2010, with the associated lairage being sold separately in June 2010. The Graven Oil Depot was sold in November 2010. I expect the sale of the Shetland Marts to complete before 31 March 2011.

- 2.3 SLAP has agreed to sell the Ronas Fish Factory and the park in Scalloway. Lawyers are working away at these transactions, but they will not complete before 31 March 2011.

3 Current Activity

- 3.1 SLAP is the oil industry's landlord at Scatsta Airport (except for the runway). SLAP has agreed an investment budget of £8 million to redevelop the airport. SLAP expects to recover its outlays and generate a suitable return through increased rent. The first phase works: a new hangar; work on the old hangar; and refurbishing and increasing taxi-ways was completed by Garriock Brothers in June 2009. The current phase is underway with DITT as the contractor. It includes a new air traffic control tower, a refurbished and extended terminal building, and further works in the old hangar.
- 3.2 SLAP has let a contract to a design and build team, headed by Hunter and Morrisons, to provide new offices on the ex-WAG site at the North Ness. The work is progressing well and is on schedule to be completed by the end of March 2012. Shetland Islands Council has agreed to take a 20 year lease on the building for the use of its Social Care Service (around 140 staff). This will bring that service together (from 7 sites) and some of the existing offices are likely to be released to the Housing Service for residential use.
- 3.3 There are almost always some projects under discussion, most of which do not result in a purchase, development or sale. Trustees have accepted that premature disclosure of such discussions will usually not be possible without breaching confidentiality, and will also make SLAP's role as a developer difficult to maintain.

4 Financial Implications

- 4.1 There are no financial implications arising directly from this report.

5 Recommendation

- 5.1 Trustees are asked to note the contents of this progress report.

Ref:JPG/jpg/C11
Date: 9 March 2011

Report No: CT1103019

APPENDIX A

SLAP Properties

March 2011

Property	Description	Tenant
Blacksness Industrial Estate	Two Industrial Units	Trou Acquaculture Scalloway Handling
66 Commercial Road	Office	Short Term let to SIC for Shetland Telecom
68 Commercial Road	Engineering Wholesaler	L.E.S.S
Commercial Road	Warehouse Workshop	HNP
72 Commercial Road	Land & Redundant Buildings in poor condition	
Fetlar Camp Site	Camp Site	Shetland Islands Council
Greenhead Base Lerwick	Port/Industrial facility	SBS, SIC and Scoml Oil Tools
FE College Phase 1 & 2 Gremista	College Buildings	Shetland Islands Council
Gremista Industrial Estate, Lerwick, Site 1	Retail unit site	G & S Flooring
Heylor Fish Factory, Heylor, Ronas Voe	Fish Factory	Vacant, sale agreed to Blueshell Mussels
Kanterstead Road, Lerwick Drycleaners	Shop Site	Mr & Mrs A J T Watt
Kanterstead Road, Lerwick Takeaway	Shop Site	Mr S Li
Lochside Stores Lochside, Lerwick	Shop	Mr M Johnson
North Atlantic Fisheries College College, Scalloway	College	Shetland Islands Council
North Staney Hill	Land	Land Bank, Housing Sites for SIC?/Educational Use

APPENDIX A

Property	Description	Tenant
NE Farmers, Staney Hill Lerwick	Wholesale Warehouse	Harbro Ltd
2 North Ness	Offices	Millgaet Media Ltd
3 North Ness BioSolar Office	Office	Shetland Islands Council, HIE Shetland as Sub-Tenant
7 North Ness Gutters' Hut	Offices	Garrick Accountancy, Shaw Marketing, Viking Energy Ltd, Shetland Islands Council
Sandness Spinning Mill, Sandness	Factory Unit	Jamieson Spinning Ltd
Sandwick Woollen Mill, Hoswick, Sandwick	Factory Unit	Laurence Odie (Knitwear) Ltd
Scatssta Airport	Leased Land and Buildings	Intergrated Aviation Consortium (BP)
Scalloway Woollen Mill Park	Land	Sale agreed to Scalloway Museum
Sellaness Industrial Buildings Factory (Former Crab Factory)	Industrial Building	Mr A Mckimm
Shetland Business Innovation Centre, Gremista	Business Units	SIC Train Shetland
Staney Hill Mart, Staney Hill, Lerwick	Agricultural Mart	Sale agreed to Shetland Abattoir Co-operative
Tourist Information Office 107 Commercial Street	Tourist Information Office	Visit Scotland/Scottish Government
Walls Bakery and tea rooms, Walls	Bakery	C & A Hodge
Walls Shop, Walls	Shop	Mr & Mrs Smith
Weathersta Industrial Complex, Weathersta, Brae	3 workshops plus a substantial yard area	Hjatland Seafarms Ltd
Whalsay Fish Factory, Whalsay	Fish Factory	Vacant
WAG Site	Development Site	Intended: SIC Social Care

REPORT

To: Shetland Charitable Trust

24 March 2011

From: Financial Controller

Report: CT1103020

Wind to Heat – Project Update

1. Introduction

- 1.1 The purpose of this report is to inform Trustees of progress on a possible development using wind energy to provide an additional and relatively inexpensive heat source for the District Heating Scheme. This would allow the Scheme to expand.
- 1.2 Officers of SHEAP and the Trust have been involved in meetings and discussions with SSE and Shetland Islands Council for some time now. The SHEAP Board and Trustees have been kept informed of a project designed to use 3 x 2.3 MW windmills at Luggies Knowe to generate electricity to be used for heat for the use of the District Heating Scheme.

2. Progress Since The Last Trustee Meeting

- 2.1 The electricity generated by the windmills will be used to heat water in a large thermal store. The large thermal store is a key element of the Low Carbon Shetland project co-ordinated by the SIC and SSE's bid to Ofgem to develop a Shetland 'Smart' Grid, the Northern Isles New Energy Solutions or 'NINES' project. Overall NINES is a £46 million project bringing together various smart grid technologies. A one MW battery will be installed at the Lerwick Power Station. These projects aim to reduce the current restraints on the Shetland Grid and so allow more renewable generators to connect. Ian Marchant, the Chief Executive of SSE was in Shetland on 24th and 25th February for the public launch of the NINES project.
- 2.3 The large thermal store will allow expansion of the district heating scheme to accommodate up to around 300 more connections. The district heating scheme has been closed to new applications from 31 March 2007, and there is a long waiting list should it re-open. There is still work to be done with SSE on the commercial agreements needed, and to fully demonstrate the commercial viability of this part of the project.

- 2.4 The projects together are innovative and may be a world first for a commercial scale wind to heat scheme. There remain issues to do with the highly regulated nature of the energy industry, and these lie with SSE to resolve. A further report to Trustees will be required in the future to seek agreement to draw down any investment budget.
- 2.5 If these projects come to fruition, considerable SCT investment in SHEAP will be needed to fund them. Trustees will recall that the Trust can only make investments that HMRC agree are 'qualifying'. I have met the Trust's Inspector of Taxes in Bootle, Liverpool, to discuss this potential investment, amongst others. He has confirmed that he will accept further investment in district heating scheme infrastructure, and in the 3 turbines, as qualifying, on application, provided suitable evidence in the form of business plans, is provided to show that the Trustees are investing to make money.

3. Financial Implications

- 3.1 There have been no costs incurred to date in the Trust beyond my time and some travel and subsistence expenses. The SHEAP Board has authorised its officers' time and a small amount of consultancy fees expenditure.
- 3.2 Trustees have agreed to buy shares in SHEAP to meet 50% of the costs to take the project though planning, about £100,000, with SSE meeting the other 50%.
- 3.3 Ultimately if all goes ahead the turbines might cost in the region of £10-14 million. At this stage the project looks an attractive investment. SCT/SHEAP might look to provide up to 50% of the funding for this, and receive up to 50% of the profits. The District Heating Scheme expansion might be another £4 million investment on a commercial basis for SCT/SHEAP. The thermal store, pumping station and mains might also attract ERDF funding.

4. Conclusions

- 4.1 The project as envisaged looks to both provide the District Heating Scheme with attractively priced heat and to be potentially a financially attractive investment.

5. Recommendations

- 5.1 I recommend that Trustees note progress on the wind to heat project.

Reference: JPG/IS1

14/03/2011

Report Number CT1103020



REPORT

To: Shetland Charitable Trust

24 March 2011

From: Financial Controller

Report: CT1103016

FUND MANAGER TRANSACTIONS

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 Appendix A lists the investment decisions made by Insight Investment Management Limited in January 2011.

2.2 Appendix B lists the investment decisions made by Schroder Investment Management Limited in January 2011.

2.3 BlackRock Investment Management (UK) Limited did not make any purchases or sales in January 2011.

2.4 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.

2.5 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 current financial year to date:

2010/11 to 25 Feb 2010

	£ million
Market Value at start	180.9
Market Movement	9.2
Injection/(Withdrawal)	(9.8)
Market Value at close	<u>180.3</u>

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

4. Recommendation

4.1 The Trustees are asked to note this report.

P

APPENDIX A)

INSIGHT INVESTMENT MGMT REPORT - PURCHASES

NAME OF SECURITY

AREA
 QF = quoted fixed
 UF = unquoted fixed

DATE

NUMBER
 OF UNITS

PURCHASE
 PRICE (£)

UNITED KINGDOM

UK(GOVT OF) 4.25% STK 07/12/27 GBP	QF GB GB	31-Jan-11	1,584,000.00	1,575,620.64
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	26-Jan-11	1,272,000.00	1,560,509.85
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	20-Jan-11	344,000.00	1,088,588.00
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	21-Jan-11	562,000.00	686,269.50
UK(GOVT OF) 0.5% I/L STK 22/3/50 GBP	QF GIL GB	06-Jan-11	441,000.00	440,403.08
UK(GOVT OF) 1.25% I/L STK 22/11/2032	QF GIL GB	21-Jan-11	392,000.00	436,391.56
UK(GOVT OF) 1.25% I/L STK 22/11/55 GBP	QF GIL GB	27-Jan-11	303,000.00	431,759.74
UK(GOVT OF) 1.25% I/L STK 22/11/2032	QF GIL GB	27-Jan-11	360,000.00	404,376.72
ILF GBP LIQUIDITY FD	DEP	28-Jan-11	400,000.00	400,000.00
UK(GOVT OF) 0.625% I/L STK 22/03/40 GBP	QF GIL GB	27-Jan-11	293,000.00	290,322.70
UK(GOVT OF) 1.25% I/L STK 22/11/2032	QF GIL GB	24-Jan-11	168,000.00	187,032.52
UK(GOVT OF) 1.25% I/L STK 22/11/55 GBP	QF GIL GB	06-Jan-11	78,000.00	113,266.74
UK(GOVT OF) 1.25% I/L STK 22/11/2032	QF GIL GB	07-Jan-11	91,000.00	104,078.52
UK(GOVT OF) 1.25% I/L STK 22/11/55 GBP	QF GIL GB	05-Jan-11	56,000.00	84,073.80
ILF GBP LIQUIDITY FD	DEP	26-Jan-11	80,000.00	80,000.00
UK(GOVT OF) 1.25% I/L STK 22/11/2032	QF GIL GB	10-Jan-11	61,000.00	69,337.97
UK(GOVT OF) 1.25% I/L STK 22/11/55 GBP	QF GIL GB	10-Jan-11	28,000.00	40,732.78
ILF GBP LIQUIDITY FD	DEP	06-Jan-11	35,000.00	35,000.00
ILF GBP LIQUIDITY FD	DEP	07-Jan-11	30,000.00	30,000.00
ILF GBP LIQUIDITY FD	DEP	17-Jan-11	25,000.00	25,000.00
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	21-Jan-11	15,000.00	18,317.32
ILF GBP LIQUIDITY FD	DEP	14-Jan-11	15,000.00	15,000.00
ILF GBP LIQUIDITY FD	DEP	04-Jan-11	274.04	274.03
TOTAL UNITED KINGDOM				<u>8,116,355.47</u>

OVERSEAS

UNITED STATES TREAS BDS INFLATION INDEX LINKED 3.875% 04-15-2029	QF GIL US	04-Jan-11	411,000.00	473,341.86
UNITED STATES TREAS BDS INFLATION INDEX LINKED 3.875% 04-15-2029	QF GIL US	07-Jan-11	280,000.00	320,639.66

TOTAL OVERSEAS

793,981.52

INSIGHT INVESTMENT MGMT REPORT - SALES

NAME OF SECURITY

AREA

QF = quoted fixed
UF = unquoted fixed

DATE

NUMBER
OF UNITSSELLING
PRICE (£)PROFIT/
(LOSS) (£)

UNITED KINGDOM

UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	31-Jan-11	1,276,000.00	1,581,784.89	44,638.43
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	04-Jan-11	344,000.00	434,718.78	27,514.49
UK(GOVT OF) 2.5% I/L STK 17/07/24 GBP	QF GIL GB	20-Jan-11	188,000.00	521,700.00	26,593.58
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	07-Jan-11	230,000.00	288,802.86	16,544.18
UK(GOVT OF) 1.125% I/L STK 22/11/37 GBP	QF GIL GB	06-Jan-11	361,000.00	439,298.07	8,573.62
UK(GOVT OF) 1.875% I/L STK 22/11/22 GBP	QF GIL GB	21-Jan-11	231,000.00	284,738.56	5,943.59
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	07-Jan-11	42,000.00	52,815.50	3,098.70
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	10-Jan-11	28,000.00	35,009.93	1,865.40
UK(GOVT OF) 1.125% I/L STK 22/11/37 GBP	QF GIL GB	07-Jan-11	41,000.00	50,408.57	1,489.73
UK(GOVT OF) 0.625% I/L STK 22/11/42 GBP	QF GIL GB	05-Jan-11	100,000.00	105,926.59	1,074.15
UK(GOVT OF) 1.125% I/L STK 22/11/37 GBP	QF GIL GB	10-Jan-11	27,000.00	32,928.95	714.10
UK(GOVT OF) 1.25% I/L STK 22/11/55 GBP	QF GIL GB	27-Jan-11	151,000.00	218,150.27	634.59
UK(GOVT OF) 1.125% I/L STK 22/11/37 GBP	QF GIL GB	10-Jan-11	1,000.00	1,216.01	22.87
ILF GBP LIQUIDITY FD	DEP	25-Jan-11	90,000.00	90,000.00	0.00
ILF GBP LIQUIDITY FD	DEP	05-Jan-11	50,000.00	50,000.00	0.00
ILF GBP LIQUIDITY FD	DEP	21-Jan-11	10,000.00	10,000.00	0.00
UK(GOVT OF) 2.5% I/L STK 26/07/16 GBP	QF GIL GB	21-Jan-11	6,000.00	18,811.80	-1,72.69
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	27-Jan-11	344,000.00	1,088,213.04	-374.96
UK(GOVT OF) 0.625% I/L STK 22/11/42 GBP	QF GIL GB	10-Jan-11	50,000.00	51,692.08	-734.14
UK(GOVT OF) 0.5% I/L STK 22/3/50 GBP	QF GIL GB	24-Jan-11	103,000.00	101,429.72	-1,107.36
UK(GOVT OF) 0.5% I/L STK 22/3/50 GBP	QF GIL GB	27-Jan-11	220,000.00	217,324.07	-1,687.16
UK(GOVT OF) 0.5% I/L STK 22/3/50 GBP	QF GIL GB	21-Jan-11	152,000.00	149,500.19	-1,816.66
UK(GOVT OF) 0.625% I/L STK 22/11/42 GBP	QF GIL GB	06-Jan-11	139,000.00	143,046.35	-2,698.54
UK(GOVT OF) 2.5% I/L STK 26/07/16 GBP	QF GIL GB	20-Jan-11	181,000.00	568,557.20	-4,141.61
UK(GOVT OF) 4.25% STK 07/12/27 GBP	QF GB GB	26-Jan-11	1,560,000.00	1,549,548.00	-56,686.00
TOTAL UNITED KINGDOM				8,085,621.43	69,288.30

OVERSEAS

UNITED STATES TREAS BDS INFLATION INDEX LINKED 3.875% 04-15-2029

QF GIL US

21/01/2011

691,000.00

759,993.03

-33,988.49

TOTAL OVERSEAS

759,993.03

-33,988.49

SCHRODERS REPORT - PURCHASES

NAME OF SECURITY	AREA QE = quoted equity	DATE	NUMBER OF SHARES	PURCHASE PRICE (£)
UNITED KINGDOM				
MAYFAIR CAP REITFUND	UP UT GB	13-Jan-11	32.09	31,993.73
TOTAL UNITED KINGDOM				<u>31,993.73</u>

OVERSEAS

NO OVERSEAS INVESTMENTS PURCHASED

TOTAL OVERSEAS				<u>0.00</u>
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SCHRODERS REPORT - SALES

NAME OF SECURITY	AREA QE = quoted equity	DATE	NUMBER OF SHARES	SELLING PRICE (£)	PROFIT/ (LOSS) (£)
UNITED KINGDOM					
NO UK INVESTMENTS SOLD					
TOTAL UNITED KINGDOM				<u>0.00</u>	<u>0.00</u>

OVERSEAS

NO OVERSEAS INVESTMENTS SOLD

TOTAL OVERSEAS				<u>0.00</u>	<u>0.00</u>
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REPORT

To: Shetland Charitable Trust

24 March 2011

From: General Manager

Report No. CT1103021

RECOMMENDED DISBURSEMENTS – APPROVALS**1. Background**

- 1.1 On 30 March 2000, Trustees approved a report which authorised the then Director of Education and Community Services to act on behalf of the Trust and approve applications for community development and community support grants to organisations operating within Shetland. (Min. Ref. CT/19/00)
- 1.2 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)
- 1.3 It is a requirement that all approvals are reported to subsequent Trust Meetings.

2. Community Development Grants - £1,000

- 2.1 The following community development grants were approved by the Head of Service, Community Development in the period from 22 January to 14 March 2011: -

Name of Organisation	Grant Approved (£)
Uyeasound Public Hall	1,000

3. Community Arts Grants - £470

- 3.1 The following community arts grants were approved by the Head of Service, Community Development in the period from 22 January to 14 March 2011: -

Name of Organisation/ Individual	Grant Approved (£)
Roxanne Permar	378
Robin Wilmore	92

4. Recommendation

- 4.1 Trustees are asked to note the approvals listed in paragraphs 2.1 and 3.1.

Shetland Charitable Trust
Date: 11 March 2011
Our Ref: AJ/DA1

Report Number CT1103021

REPORT

To Shetland Charitable Trust

24 March 2011

From: General Manager

Report No. CT1103022

RECOMMENDED DISBURSEMENTS – SOCIAL CARE

1. Background

- 1.1 This report concerns approvals by the Council's Head of Community Care in the period to 1 March 2011, in terms of Report Number CT/030/94, which was approved by the Trustees on 8 April 1994.

2. Social Assistance Grant Scheme - £1,067.32

- 2.1 The Head of Community Care approved the following:-

	(£)
3 Social Assistance Grants of up to £2,000 (Appendix A)	1,433.16
Less: Refund to budget	(365.84)

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

3. Recommendations

- 3.1 Trustees are asked to note the following approval by the Head of Community Care: -

a) the Social Assistance Grants referred to in paragraph 2.1, totalling	£1,067.32
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Shetland Charitable Trust
Date: 9 March 2011

Ref: AJ/DS1

Report No: CT1103022

SOCIAL ASSISTANCE GRANT SCHEME as at 1 March 2011

Funds available in 2010/2011	£ 35,000.00
Less previously allocated	(22,326.66)

<u>Reference</u>	<u>Amount</u>
10/11 61	£ 325.00
10/11 62	£ 1,028.16
10/11 63	£ 80.00

(3) Approvals by Executive Director, Education and Social Care	1,433.16
Less: refund to budget	(365.84)
Balance of Funds remaining	11,606.02

I confirm the above grants have been approved, for the relief of vulnerable persons in need by reason of age, ill health, disability or financial hardship.

Executive Director, Education and Social Care
Agent for the Trustees of Shetland Charitable Trust