Shetland Charitable Trust

General Manager: Dr Ann Black

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

Our Ref: EMA/TA1/1
Your Ref:

Date: 10 September 2009

Dear Sir/Madam

You are invited to the following meeting:

Shetland Charitable Trust
Clickimin Leisure Complex, Lochside, Lerwick
Thursday 17 September 2009 at 10.10am

Apologies for absence should be notified to Lynne Geddes on 01595 744592, or to Jenna Johnson on 01595 744544.

Please note the venue and the time for this meeting

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 minute of meeting held on 2 July 2009, enclosed.

For Decision

1. Financial Review of Annual Expenditure. Report enclosed.

2. Application of Freedom of Information Act to Charities in Shetland. Report enclosed.

3. Resignation of Trustee. Report enclosed.

4. Ethical Investment. Report enclosed.

For Information

5. Progress Report – Funded Bodies Review Group. Report enclosed.

6. Governance of Shetland Charitable Trust. Report enclosed.

7. Investment Monitoring – Shetland Leasing and Property Developments Limited (SLAP). Report enclosed.

8. Recommended Disbursements - Approvals. Report enclosed.

9. Recommended Disbursements – Social Care. Report enclosed.

10. Management Accounts to 30 June 2009. Report enclosed.

11. Fund Manager Transactions. Report enclosed.

The following items contain **confidential** information

For Information

12. Loans to Local Industry – Agricultural Loan Scheme – Update on Loan Application Number LA2/0121(3). Report enclosed.

13. Sums Due But Unpaid Over One Month Old as at 31 August 2009. Report enclosed.

Shetland Charitable Trust

SC027025

REPORT

To: Shetland Charitable Trust — 17th September 2009

From: General Manager, Shetland Charitable Trust — Report No: CT0909061

Financial Review of Annual Expenditure

1. Introduction

1.1 Shetland Charitable Trust (SCT) is currently facing financial difficulties, and struggling to meet its policy of self-sustainability. In May 2008, trustees agreed a three-year budget strategy, which aimed to make a permanent reduction in annual expenditure of at least £1 million. In order to achieve this, a review group has been established, with representation from both SCT and Shetland Islands Council (SIC).

1.2 The review group agreed to do the work in two phases, the first reviewing budget heads over £500,000, and the second, all other budgets.

1.3 This report presents the outcome of the joint financial review undertaken by the Shetland Recreational Trust (SRT), Shetland Amenity Trust (SAmT) and Shetland Arts Development Agency (SADA), collectively known as the three large Trusts. It describes how, by working together, the three large Trusts have successfully managed to identify permanent annual savings of £500,000, with minimal impact to services. SCT approval is sought, where necessary, to implement the identified savings.

2. Background

2.1 The review group agreed to appraise all aspects of SCT expenditure in order to find the necessary savings. The SRT, SAmT and SADA requested that they should be left to identify their own permanent savings, with a target of at least £500,000 per annum.

2.2 The General Managers of the Trusts have met on a number of occasions, as well as with the Chair of the review group and General Manager of the SCT, and have collectively prepared and agreed the submission presented today. They agreed that the savings should be "allocated" pro rata depending on their total funding from SCT. This is set out in a table below.

Organisation	Revenue funding	Planned Maintenance	Total	Savings Target	
	£	£	£	£	%
SRT	2,781,550	809,374	3,590,924	300,000	60
SAmT	1,080,228	381,986	1,462,214	130,000	26
SADA	773,376	78,250,	851,626	70,000	14
Total	**4,635,154**	**1,269,610**	**5,904,764**	**500,000**	**100**

3. The Trust Model

3.1 History and Context

In order to understand the outcome of the self-review undertaken by the large Trusts, it is helpful to refresh ourselves of the origins of the Trusts, their functions and purpose. We also need to be mindful of the difference between the work of this review group and that of the previous group. The most marked difference on this occasion is the much smaller number of Trusts, with no obvious evidence of significant duplication and overlap to remove.

Shetland Charitable Trust

Shetland Charitable Trust (or rather its predecessor) was established by a Deed of Trust granted by the SIC in 1976. It has always been predominantly a funding organisation, and has retained strong strategic links with SIC, its original parent. The whole philosophy of the SCT, since its inception, has been to improve the quality of life for the people of Shetland.

Shetland Recreational Trust

Shetland Recreational Trust (SRT) was established on 1 June 1982, and was originally known as the Clickimin Recreational Trust.

It was established to provide facilities in the interest of social welfare for recreation and leisure time occupation with the object of improving the condition of life for the inhabitants of Shetland, in particular to secure the establishment of a recreational centre at Clickimin.

Clickimin Leisure Complex, was officially opened on 30 March 1985 and the last twenty years has seen a number of new facilities come on stream culminating in the 7 September 2002 opening of the West Mainland Leisure Centre.

SCT has provided the SRT with most of the capital funding for the seven rural leisure centres that are located adjacent to local secondary schools throughout the isles, as well as the Clickimin Leisure Complex in Lerwick. These facilities cover the geographic spread of the Shetland population in order that the opportunities brought by the facilities are not confined to just the large mainland settlements

The SRT, in partnership with SCT, are investing to provide facilities that will attract people to come and live and work in Shetland and help to attract visitors. Moreover, the SRT is investing in the health of the population by providing the infrastructure required for participation in a whole range of activities and the opportunity to enjoy a healthy lifestyle. The number of admissions to all of the SRT's facilities has reached almost 12 million since 1985.

SRT makes a substantial contribution towards SIC meeting its corporate and Single Outcome Agreement objectives.

The SCT is the primary funder of SRT; in addition SRT also currently generates approximately £1.2 million annual income from its customers. The SRT has successfully levered in £752,131 of external funding in the last five years, £510,550 for capital projects and £241,581 for running costs/project work. (Details in Appendix 1)

Shetland Arts Development Agency

Shetland Arts Development Agency (SADA) was established in 2006 following a merger of the former Shetland Arts Trust and part of the Islesburgh Trust.

SADA seeks to encourage, support, inspire, promote, develop and deliver activities in the fields of dance, drama, theatre, film, literature, music, crafts, and visual arts with a view to the advancement of arts and culture and improving the quality of life for the inhabitants of Shetland.
SADA runs the Garrison Theatre, Bonhoga Gallery in Weisdale Mill and promotes a year round programme of music, craft, theatre, literature, visual arts, dance and film events including Fiddle Frenzy, Screenplay and Wordplay. From 2006 to 2008 Shetland Arts ran 1018 events and exhibitions with 102,816 people attending. Under construction is Mareel, Shetland's new music, cinema and education venue which will be owned and operated by SADA.

SCT and the Scottish Arts Council primarily fund SADA jointly. External funding in the last four years (since the organisation was created) totals £9.33 million, some £6.92 million of which relates to the capital project Mareel. Some £435,500 of income in that period has been generated from its events programme. (Details in Appendix 2)

Shetland Amenity Trust

The Shetland Amenity Trust (SAmT) was formed in 1983.

SAmT is dedicated to the preservation, enhancement and promotion of Shetland's natural and cultural heritage, and the securing of both physical and intellectual access to that heritage.

SAmT has grown considerably over recent years and has been particularly successful in attracting external national and European funds to deliver an increasing portfolio of services/project areas. Its biggest success has been the delivery of the award-winning Shetland Museum and Archives, recognised internationally for its excellence, which continues to attract high numbers of visitors. Archaeology continues to be a core area of focus and SAmT has ongoing development at two outstanding sites, Old Scatness Broch in South Mainland and Belmont in Unst. They are also, currently, being assessed to achieve Geopark status, in recognition of the Islands' unique geological history and the Trust's efforts to bring a wider understanding of this subject to residents and visitors.

SAmT is core funded by SCT, and has some project funding from SIC, mainly through service level agreements. External funding for the past five years totals £7.2 million of which some £4.99 million relates to the construction of the museum and archives. (Details in Appendix 3) Customer income in the last two years has increased rapidly, mainly due to the increased activity associated with the new museum and archives, and lighthouse and böd accommodation. Total for 2008/09 was £596,130.

3.2 Current Model

The Trust model developed in Shetland over twenty years ago has been a successful means by which to provide services and activities, well beyond those experienced in similar island communities. Furthermore, we should be mindful how farsighted Shetland has, once again, been as communities and local authorities, including those as large as Glasgow are increasingly realising the benefits of this model of delivery and setting up Trusts of a similar type. This "success story" should not be forgotten in the drive to achieve financial savings for the SCT.

The three large Trusts are independent Trusts, each with a board of trustees and regulated by external bodies, including OSCR, in the same way as the SCT. Although they share the same legal status as independent Trusts with charitable status, there are clear differences between the three bodies and these should be acknowledged.

The previous review group, in a paper presented in April 2004, debated the three separate Trusts model of delivery, and agreed that this was the most suitable for the Shetland community.[1] The SRT is clearly a service provider of sports and leisure activities, whilst the SAmT and SADA are both development agencies, one specialising in heritage and the environment, and the other in the promotion of arts.

Therefore for SRT, as solely a service provider, any reduction in income directly affects SRT's ability to provide services. Furthermore, the ability to generate income is largely restricted to the users of their services. A key concern noted in the work of this

[1] "Working Group: Council Created Organisations Discussion Paper on Options for Change," prepared by Hazel Sutherland, General Manager dated 26th April 2004.

group was the potential risk to services, and ultimately jobs, if further cuts were imposed on core budgets.

In contrast, as development agencies the SAmT and SADA use the money they receive from the SCT as a means of levering in external funding in order to develop the infrastructure, activities and services available in Shetland. This is one of the main arguments in favour of the Trust model, as other statutory public bodies do not have the same access to external sources of funding. A key concern expressed by the development agencies was the need to retain sufficient capacity to continue to undertake the work in their specialist fields and remained successful in attracting external funding to be spent in Shetland.

4. Investigation of Options to Share Services

4.1 Given the background and context described above, the group discussed the issue of shared services, best value for the public pound and effective and efficient operations. It was agreed that there was some room for synergies and better working together, but unlike the previous review, the financial costs of any further radical change far out weigh any benefits, and would require a much longer time scale to investigate.

Planned Maintenance

4.2 A maintenance forum currently exists including the three large Trusts, SCT and our service provider, SIC. Operational staff attend the forum, where information is shared and opportunities are sought to work together where possible. For example if specialist contractors are travelling to Shetland from the mainland, efforts are made to ensure the work required by the Trusts is co-ordinated in order to minimise the cost, and realise the benefits from economies of scale. Information on regulatory requirements, such as health and safety is also shared.

4.3 Furthermore, the General Managers of the three Trusts and staff from SCT have met to explore synergies further in this area. A benchmarking exercise has been undertaken which demonstrates that the current maintenance model represents value for the public pound. Information is being sought on the skills and specialisms held within the three Trusts, in a bid to identify further opportunities to work together, in an effective and efficient manner. Early discussions indicate that there are certain generic requirements, but given the differing nature of the Trusts' activities, they have different and very specialist needs, eg. SRT has developed a specialism in maintaining swimming pools, while the SAmT has built up expertise in the restoration, maintenance and preservation of historic buildings. Furthermore there are legal and capacity issues, especially in relation to undertaking additional works, not core to their primary purpose of the individual Trust, as outlined in their Trust Deeds. A final point of note is the relationship between the percentages of funding spent on maintenance compared with that on services, the key point being that there is a risk that we have well maintained buildings, but we cannot afford to open.

Administration and Finance

4.4 Shared payroll was discussed, but it was decided that this matter had been investigated through an extensive review undertaken in late 2003 by the then General Manager of SCT. It concluded, "The cost of change would outweigh any perceived benefits from shared working and would not provide any significant contribution to the overall budget deficit."[2]

4.5 It must be acknowledged that there will be certain similar administration and financial functions across the three Trusts. But on investigation it was felt that none of the Trusts had the capacity to undertake additional work, so would not provide a "saving", as the same staff would be required whether in separate or a single shared unit. Furthermore the functions of the organisations are different, and each has relatively complex financial arrangements, especially when external funders (particularly EU funding) are involved. Combining the funding and management of finance in relation to events, planned activities, project funding, subscriptions, trading income, external funders' reporting requirements etc would make this a large and complex unit, remote from the primary function. This has the potential to be counter productive and created inefficiencies in relation to scale and lack of relevant specialist knowledge, diluted as a result of distance from the core activities of the various Trusts.

4.6 It is unlikely that savings could be made in relation to sharing other staff members, including management. This can be attributed to capacity issues, skills, knowledge and specialism of the staff employed by the different Trusts. Furthermore the cultural difference between the organisations means it would be unlikely to get a staff member attracted to work and perform well in a sports and recreation environment, when their primary interest is that of arts or heritage. Therefore recruitment, retention and performance of staff could be a potential problem with this concept. Finally this has the risk of new bureaucratic, monopoly situation, with the organisation or back shop activities becoming more important than the service.

Procurement

4.7 Procuring services from each other, and economies of scale by joint procurement of certain goods and services was discussed. Timing of existing contracts, clarity as to exactly what goods and services are being purchased, and the administration of separating costs and usage, has meant that the group concluded that this would be a relatively time consuming and costly process. It was felt that it would not give the immediate savings required, if any, but should be kept under review. For example, the SRT has already been in touch with Procurement Scotland and has made suitable arrangements to benefit from competitive energy costs. It is planned to share appropriate opportunities such as these.

[2] Letter sent by Hazel Sutherland, General Manager to respondents of the payroll review audit, dated 16th December 2003.

4.8 After much discussion, the procurement of services from each other appears to be more complex than originally anticipated. The two main issues relate to the charitable purposes of the organisation, and the ability to trade in areas, which are not the primary function of the Trust. Equally important is the issue of capacity, and hence the inability to offer services over the requirements of one organisation.

Share Office Premises

4.9 Given the size, scale and requirements of each Trust it would seem unlikely that sharing premises would be either practical or beneficial to the individual organisation. There may be an opportunity in the future for the SCT itself to benefit from co-locating with one of the Trusts, should the practical opportunity arise.

5. Savings Proposed by the Three Trusts

5.1 The General Managers of the three large Trusts have decided to share the required savings target based on the proportion of the funding they received from the SCT. They have each presented separate submissions, outlining how they plan to meet their share of the required savings. Details of the submissions are attached as appendices to this report.

Shetland Recreational Trust

5.2 Appendix 4 contains two letters from SRT, dated 16 June and 28 July 2009, in which the General Manager details the areas where his board of Trustees have already agreed savings be made. These include the closure of facilities at Christmas and New Year, the transfer of the community use of games halls back to the SIC, the discontinuation of the exercise referral scheme and finally a review of staffing levels at Clickimin Leisure Centre. In addition to the savings mentioned, SRT is currently in discussion with SIC to re-negotiate the service level agreement between the two bodies.

Shetland Arts Development Agency

5.3 Appendix 5 is the submission from SADA, who propose reductions in expenditure in the areas of non-front line staff and marketing. They plan to combine this with an increase in income by bringing in a management charge on work undertaken for third parties. Some 38% of the proposed savings of £77,388 is a reduction in other expenses, some of which relate to building up a small reserve, permitted by the SCT grant conditions and recommended by OSCR.

Shetland Amenity Trust

5.4 Appendix 6 is the submission from SAmT. Some 63% of their proposed savings of £130,000 will come from the Planned Maintenance Programme. SAmT has indicated that the savings they propose to make will not be at the expense of the fabric of the buildings in their care and that the savings will be permanent.

Implications of Proposed Savings

5.5 The General Managers of the three Trusts have been especially sensitive to the impact of proposed savings, though it is impossible to remove £500,000 from the Shetland economy without having some adverse effects on jobs, services and potential increase in expenditure to primarily the SIC.

5.6 For example, the closure of Clickimin Leisure Complex at Christmas and New Year and the restructuring of staffing at the leisure centre are bound to have implications on employment, as well as users of the centre. Furthermore the transfer back of the community use of games halls has been estimated to put an additional burden of c.£68,000.00 on the SIC. The exact cost can only become clear once information on usage and school practices is clarified.

5.7 The introduction of management fees by SADA, may well involve additional costs to the SIC as a user of their services. The same can be applied to the SAmT and their need to increase revenue through income generation, which includes the SIC as a customer.

5.8 It would appear that the proposals from the three Trusts could cost an additional £90,000 to SIC, mainly with respect to the transfer of the Games Halls back to the SIC.

6. Conclusion

6.1 The Trusts were asked to find ongoing savings totalling at least £500,000.

6.2 The three large Trusts are to be congratulated on their efforts in identifying savings, which will have minimum impact on frontline services.

6.3 Furthermore, the self-review process has improved lines of communication, and identified ways of working more effectively and efficiently together. This work will be continued through regular quarterly meetings attended by the General Managers of the three large Trusts, and the General Manager the SCT.

6.4 As shown in paragraph 5.8, a number of these proposals will shift cost from the SCT to SIC, thus not achieving a £500k saving for the Shetland community as a whole.

7. Recommendation

7.1 Trustees are asked

b) to agree the proposed savings from the three large Trusts together; and

c) to note that discussion is on-going between the three Trusts to find practical ways to make economies through shared working and purchasing.

<u>Appendices:</u>

Appendix One – SRT Information for Funding Review Group

Appendix Two – SADA Information for Funding Review Group

Appendix Three – SAT Information for Funding Review Group

Appendix Four – Submissions from SRT

Appendix Five – Submission from SADA

Appendix Six – Submission from SAmT

SRT Information for Funding Review Group

1. External Funding

Capital Projects

2004/05	Shetland Enterprise – Campsite Upgrade	£54,219
	Sports Lottery – Athletics Track	£256,331
	Sports Lottery – Squash Courts	£172,288
2008/09	Sports Lottery – Squash Courts	£27,712
	Total for Capital Projects	**£510,550**

Running Costs / Project Work

2004/05	Quality of Life	£30,000
	New Opportunities Fund	£7,500
	HIE – Employed Trainees	£28,050
2005/06	New Opportunities Fund	£12,500
	HIE – ET	£47,187
2006/07	New Opportunities Fund	£5,000
	HIE – ET	£33,617
2007/08	New Opportunities Fund	£5,000
	HIE – ET	£26,622
2008/09	Zetland Educational Trust	£3,000
	Big Lottery Fund	£14,000
	Awards for All	£2,240
	HIE – ET	£26,865
	Total for Running Costs / Project Work	**£241,581**
	Grand Total for External Funding	**£752,131**

2. The SRT currently generate approximately £1.2 million annual income from its customers.

3. I am not estimating an additional income.

4. Shetland Recreational Trust (SRT) was established on 1 June 1982. SRT's first facility, Clickimin Leisure Complex, was officially opened on 30 March 1985 and during the last twenty years has seen a number of new facilities come on stream culminating on the 7 September 2002 with the opening of the West Mainland Leisure Centre.

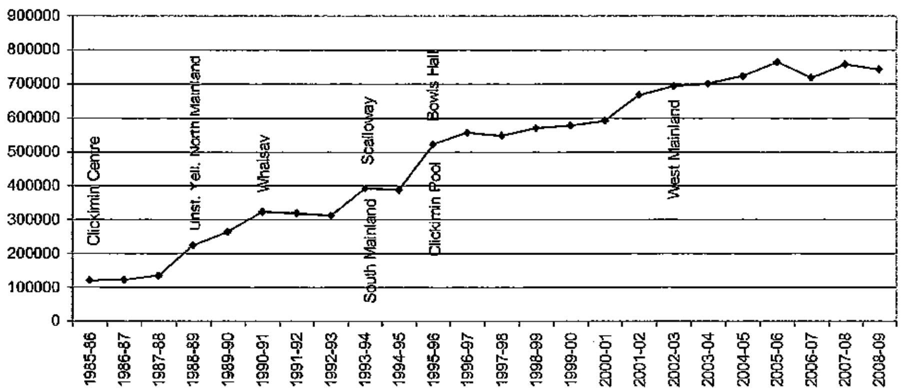
   Shetland Charitable Trust (SCT)has provided the SRT with capital funding for the seven rural leisure centres that are located adjacent to local secondary schools throughout the isles, as well as the Clickimin Leisure Complex in Lerwick.

   The whole philosophy of the SCT, since its inception, has been to improve the quality of life for the people of Shetland. The SRT , in partnership with SCT, are investing in the confidence of Shetland to face up to the challenges ahead and provide facilities that will attract people to come and live and work in Shetland and help to attract visitors.

Moreover, the SRT is investing in the health of the population by providing the infrastructure required for participation in a whole range of activities and the opportunity to enjoy a healthy lifestyle.

The number of admissions to all of the SRT's facilities have almost reached 12 million since 1985.

Admissions at all Centres 1985 - 2009



Centre Opening Dates

Clickimin Centre	1985
Unst Leisure Centre	1988
Yell Leisure Centre	1988
North Mainland Pool	1988
Whalsay Leisure Centre	1990
South Mainland Pool	1993
Scalloway Pool	1993
Clickimin Pool & Bowls Hall	1995
West Mainland Leisure	2002

Total admissions since 1985 at 31 March 2009 - 11,729,879

James Johnston
General Manager
Shetland Recreational Trust
30 July 2009

Appendix 2

SADA Information for Funding Review Group

1. External Funding

Capital Projects	Mareel	
2009/2010	SIC	£5.19 m
	Hi Shetland	£0.965 m
	Gannochy Trust	£0.05 m
	Shetland Development Trust	£0.965 m
	Scottish Arts Council	£2.12
	ERDF	£2.82 m
	Total for Capital Projects	**£12.11 m**
Running Costs / Project Work		
2006/2007	Scottish Arts Council	£84,226
	Scottish Arts Council Voted and Lottery	£86,018
	Local Authority Project Funding	£4,500
	Shetland Enterprise	£22,111
	SIC Economic Unit	£40,512
	Other Public Funds	£54,761
	Miscellaneous Grants	£2,060
	Bank Interest	£6,081
	Box Office/Programme Income	£113,406
	Ancillary Earned Income	£112,414
	Donations/Sponsorship	£16,272
	Other Earned Income	£13,055
	Total	**£555,416**
2007/2008	Scottish Arts Council	£155,250
	Scottish Arts Council Voted and Lottery	£31,608
	Local Authority Project Funding	£129.151
	Bank Interest	£15,150
	Box Office/Programme Income	£95,619
	Ancillary Earned Income	£150,238
	Donations/Sponsorship	£15,945
	Other Earned Income	£5,098
	Total	**£598,059**
2008/2009	Scottish Arts Council	£156,803
	Scottish Arts Council Voted and Lottery	£66,477
	Local Authority Project Funding	£35,084
	SIC Economic Unit	£18,288
	Other Public Funds	£15,000
	Miscellaneous Grants	£13,060
	Bank Interest	£13,656
	Box Office/Programme Income	£94,703
	Ancillary Earned Income	£137,904
	Donations/Sponsorship	£24,045
	Other Earned Income	£11,673
	Total	**£586,693**

2009/2010	Scottish Arts Council	£156,803
	Scottish Arts Council Voted and Lottery	£189,803
	Local Authority Project Funding	£17,000
	Other Public Funds	£81,000
	Miscellaneous Grants	£139,168
	Bank Interest	£5,000
	Box Office/Programme Income	£131,800
	Ancillary Earned Income	£162,500
	Donations/Sponsorship	£11.825
	Other Earned Income	£18,500
	Total	**£913,399**

2. Shetland Arts has a strategic objective to lever in £2 for every £1 of local funds – Hansel for Art Promise 3.

3. Shetland Arts through partnership working as levered in an additional estimated £ 185,000 for arts related activity over the past 3 years. Most significantly the development of the Shetland Box Office attracting Scottish Government E Government Funds.

4. Shetland Arts Development Agency was established on 1 April 2006.

Appendix 3

Shetland Amenity Trust Information for Funding Review Group

1. *'Breakdown of external funding amount and sources over the last 5 years (broken down annually)'* – set out below are the non-Council and SCT grant income sources over the past 5 years. Where funding relates to the museum construction project this is highlighted. All other grant income is to support delivery of projects:

Year	Funding Source	£
2004/05	HLF – museum construction	1,346,552
	HLF – project areas	5,406
	Scottish Natural Heritage – museum construction	20,000
	Scottish Natural Heritage – project areas	26,058
	Shetland Enterprise Company	77,304
	Historic Scotland	29,666
	Forestry Commission	28,416
	Scottish Office	75,201
	Other – museum construction	1,500
	Other – project areas	170,966
	Total	**1,781,069**
2005/06	HLF – museum construction	1,739,330
	Scottish Natural Heritage – museum construction	30,000
	Scottish Natural Heritage – project areas	32,405
	Shetland Enterprise – museum construction	19,503
	Shetland Enterprise Company – project areas	40,873
	Historic Scotland – museum construction	221,123
	Historic Scotland – project areas	7,105
	Forestry Commission	11,048
	Scottish Office	38,638
	Other – museum construction	62,941
	Other – project areas	299,545
	Total	**2,502,511**
2006/07	HLF – museum construction	952,909
	HLF – project areas	110,478
	Scottish Natural Heritage	42,700
	HIE Shetland – museum construction	27,010
	HIE Shetland – project areas	16,902
	Historic Scotland – museum construction	88,977
	Historic Scotland – project areas	40,505
	Forestry Commission	6,741
	Scottish Office	43,187
	Other – museum construction	142,050
	Other – project areas	254,022
	Total	**1,725,481**

Year	Funding Source	£
2007/08	HLF – museum construction	255,753
	HLF – project areas	137,544
	Scottish Natural Heritage	44,039
	HIE Shetland – museum construction	4,907
	HIE Shetland – project areas	43,507
	Historic Scotland – museum construction	28,558
	Historic Scotland – project areas	24,440
	Forestry Commission	12,752
	Scottish Office	45,469
	Other – museum construction	35,074
	Other – project areas	256,986
	Total	**889,029**
2008/09*	HLF	69,383
	Scottish Natural Heritage	34,839
	Historic Scotland – museum construction	17,228
	Historic Scotland – project areas	42,440
	Forestry Commission	741
	Scottish Office	28,828
	Other – project areas	149,075
	Total	**342,534**
	Total External funding (non-SCT/SIC funding)	**£7,240,624**
	2004-05 to 2008-09	

* Figures subject to audit

2. *'Amount of income you currently generate'* - SAT additionally generates income from a number of sources including from the delivery of service level agreements for the SIC, heritage accommodation rentals, provision of architectural heritage services, donations, sales through the museum shop and Hays Dock Café Restaurant:

Year	Income (ex SIC)	SIC Service Level Agreement Income	Total Income
2004/05	410,254	22,311	432,565
2005/06	657,111	250,398	907,509
2006/07	527,406	1,023,801	1,551,207
2007/08	703,486	1,082,499	1,785,985
2008/09*	1,296,256	1,197,044	2,493,300
Total	**£3,594,513**	**£3,576,053**	**£7,170,566**

* Figures subject to audit

The above figures exclude specific SIC grant funding, including architectural heritage, Rangers service, Old Scatness Broch, Geoparks and SCT Core Funding.

3. *'An indication of the additional income you project to generate, and the sources of this. We will need to demonstrate the split between Council and other very clearly, as per the questions at the last meeting'* – following the submission of the last paper, we indicated that in meeting our reduced budget target we would both reduce costs and generate additional income. Set out overleaf were the calculated additional income targets within those financial saving projections:

Funded Area	**Additional Income**	**Council /SCT**	**Other**	**Total**
Management and administration	Improved treasury management, photocopy income and VAT recovery on fuel purchases paid through expenses	0	4,500	4,500
Natural Heritage	'Consultancy work' and delivery of 'natural heritage' training courses	0	2,500	2,500
Archaeology	Expected ongoing rise in numbers of development control archaeological data searches for SIC and developers	2,500	3,000	5,500
Woodlands	Annual sale of surplus plants to the public (open day at the horticultural unit) and improved process for commercial sales to nurseries	0	2,500	2,500

4. *'A paragraph which describes when your organisation was established, key successes you would like to highlight and what you currently do'.*

Shetland Amenity Trust (SAT) was established in 1983 and is an independent conservation trust dedicated to the preservation of Shetland's architectural heritage as well as the conservation and enhancement of Shetland natural beauty and amenity.

SAT has grown considerably over recent years and has been particularly successful in attracting external national and European funds to deliver an increasing portfolio of services/project areas. Our biggest success has been the successful delivery of the award-winning Shetland Museum and Archives, recognised internationally for its excellence which continues to attract high numbers of visitors. Archaeology continues to be a core area of focus and we have ongoing development at two outstanding sites, Old Scatness Broch in South Mainland and Belmont in Unst. We are also, currently, being assessed to achieve Geopark status, in recognition of the Islands unique geological history and the Trusts efforts to bring a wider understanding of this subject to residents and visitors.

Clickimin Leisure Complex
Lochside
Lerwick
SHETLAND
ZE1 0PJ

Telephone: +44(0)1595 741026

16 June 2009

Dr Ann Black
General Manager
Shetland Charitable Trust
22-24 North Rd
Lerwick
ZE10NQ

Dear Ann

Shetland Charitable Trust Funded Bodies Review Group

At a meeting held on 1 May 2009 the above group agreed a collective target of savings to be achieved from the Shetland Recreational Trust, Shetland Amenity Trust and Shetland Arts.

The target savings for the 3 agencies was set at £500,000 and Shetland Recreational Trust's share was agreed at £300,000.

The information detailed below summarises the decisions that Shetland Recreational Trust have taken in order to meet the target set:

- Not to open facilities over the Christmas and New Year period. This would result in a saving of £20,000. Average weekly income is £20,000, however over Christmas period income is £2,150

- Community use of Games Halls at Brae, Scalloway and Sandwick is handed back to Shetland Islands Council resulting in savings of £120,000

- Discontinuation of Exercise Referral Scheme resulting in savings of £30,000. SRT will continue to provide targeted exercise through other routes such as Phase IV Cardiac Rehabilitation and managed weight loss.

The total potential savings achieved so far is £170,000 with a further £130,000 required.

Work in progress includes review of staffing levels, planned maintenance and sharing of back office services.

Once this work is complete I will inform you of how the Shetland Recreational Trust intend to achieve the further savings required to achieve our target.

Yours sincerely

James Johnston
General Manager
Shetland Recreational Trust

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Telephone: +44(0)1595 741026

28 July 2009

Dr Ann Black
General Manager
Shetland Charitable Trust
22-24 North Rd
Lerwick
ZE10NQ

Dear Ann

Shetland Charitable Trust Funded Bodies Review Group

Further to my letter of 16 June 2009 regarding the above, I now enclose copy of revised budget for financial year 2009/ 2010 indicating a reduction of £300K.

In determining savings, Trustees of the Shetland Recreational Trust agreed to identify areas where the least impact on service would be felt. However I am sure you will understand that it is not possible to reduce the SRT's budget by £300K without having a detrimental impact on the level of service provided.

The following information summaries the decisions that the Shetland Recreational Trust have taken in order to meet the target set:

- All Shetland Recreational Trust facilities to close over the Christmas and New Year period.
- Management of the community use of games halls at Brae, Scalloway and Sandwick is handed back to Shetland Islands Council.
- Discontinuation of Exercise Referral Scheme.
- Review of staffing levels within Clickimin Leisure Complex

In taking the above decisions the Trust has recognized the need to play its part in the overall savings exercise. You will agree the scope for further reductions is severely limited without significant impact on service delivery.

Yours sincerely

James Johnston
General Manager
Shetland Recreational Trust

Shetland Recreational Trust

Revised Budget - 2009 / 2010

	Budget 2009/2010	Revised Budget 2009/2010
Salaries / Wages	2,497,202	2,247,702
Employment Checks	3,060	3,060
Office Expenses	98,260	98,260
Promotions / Advertising	40,249	40,249
Electricity	610,379	578,934
Oil / District Heating	310,000	310,000
Cleaning	129,692	129,692
Pool Chemicals	26,828	26,828
Grounds Maintenance	4,450	4,450
Insurance	99,036	99,036
Telephone (Net of Revenue)	22,501	22,501
Protective Clothing	14,269	14,269
Sports Equipment	27,108	27,108
Travel & Vehicle Expenses	11,636	11,636
Audit	14,586	14,586
SRT Meeting Expenses	1,300	1,300
Professional fees	6,253	6,253
Water / Sewerage Rates	108,169	108,169
Bank Charges	1,250	1,250
Licences	9,136	9,136
Subscriptions	8,684	8,684
Facility Hire	61,908	633
Central Administration Charge	129,221	129,221
Course Expenses/Staff Training	74,910	74,910
Health Suite Expenses	1,300	1,300
Boat Expenses	1,224	1,224
Cafeteria Deficit	11,030	11,030
Total Expenditure	**4,323,641**	**3,981,421**
Total Income	**1,255,600**	**1,213,380**
Net Expenditure	**3,068,041**	**2,768,041**

Impact of 10% in SCT Revenue Grant based on 2009/10 budget baseline

	Baseline 2009 - 2010	Revision	Change	Note
Income				
Box Office/Programme income	£131,800	£131,800	£0	
Ancillary Earned Income	£162,500	£162,500	£0	
Other Earned Income	£18,500	£28,000	£9,500	Instigation of 10% management charge on one off projects
Business Sponsorship	£11,825	£11,825	£0	
Trusts, Donations	£55,900	£55,900	£0	
Revenue Scottish Arts Council	£156,803	£156,803	£0	
Project Funding Scottish Arts Council (Voted and Lottery)	£70,400	£70,400	£0	
Local Authority - Project Funding	£16,600	£16,600	£0	
Other Public Funds - (Including SCT Revenue Grant)	£866,736	£789,398	-£77,338	Reduction of SCT Revenue Grant to £696,038
Total projected income	**£1,491,064**	**£1,423,226**	-£67,838	
Expenditure				
All Staff Costs	£781,465	£762,968	-£18,497	Reduction in non front line staff and associated costs
Arts Development	£157,110	£157,110	£0	
Arts Development Marketing	£15,120	£15,120	£0	
Strategic Marketing	£25,000	£20,187	-£4,813	Reduction in activity
Education	£223,558	£223,558	£0	
Venues and Overheads	£249,283	£234,283	-£15,000	Efficiency savings
Other Expenses	£39,528	£10,000	-£29,528	
Total projected expenditure	**£1,491,064**	**£1,423,226**	-£67,838	
(Deficit) or surplus	**£0**	**£0**	-£0	

Gwilym Gibbons
01 December 2008

1. Introduction

In February 2009, Shetland Amenity Trust (SAT) were advised that there would be a 'Funded Bodies Review', examining funding arrangements for all organisations currently supported by the Shetland Charitable Trust. The main objective of the review was to realise permanent savings in the funding distribution, including the core funding grant to the Amenity Trust.

The 'Funded Bodies Review Group' was established to lead this process and SAT has met with members of the Group a number of times during the review. A financial target of £500,000 savings was identified to be made from the three large Trusts, (SAT, Shetland Recreational Trust and Shetland Arts Trust). In a spirit of co-operation and good faith, it was agreed that these three organisations could undertake an internal review process to identify savings and efficiencies.

Funding for the three trusts consists of two key elements – core funding and planned maintenance. For 2009/10 the settlement for the three key trusts was as follows:

Trust	Core Funding	Planned Maintenance	Total	% share of funding	Savings Target
Shetland Recreational Trust	£2,781,550	£809,374	£3,590,924	60.81%	£300,000
Shetland Arts Trust	£773,376	£78,250	£851,626	14.42%	£70,000
Shetland Amenity Trust	£1,080,228	£381,986	£1,462,214	24.77%	£130,000
Total	**£4,635,154**	**£1,269,610**	**£5,904,764**	**100%**	**£500,000**

The target saving put forward by SAT is **£130,000.**

2. Shetland Amenity Trust Internal Review Process

The breakdown of current funding from the Charitable Trust is as follows:

Project Area	Funding for 2009/10	Increase from 2008/09
Management and Administration	515,538	1.9%
Interpretation (Community History)	60,000	0%
Natural Heritage	45,012	2.2%
Archaeology	71,340	2.5%
Place Names	46,933	1.9%
Environmental Improvement	224,909	2.5%
Woodlands	116,496	2.0%
Total	**£1,080,228**	**2.3%**

In addition to the core funding, the Trust also receives funding for planned maintenance.

The maintenance need is driven through review of priorities, condition surveys of buildings, the need for cyclical works etc but also funds IT hardware acquisition, fleet management/vehicle purchase and helps the Trust meet its health and safety obligations. For 2009/10, funding for this was £381,986.

In seeking to determine how the Amenity Trust can achieve its share of savings a formal review process was put in place:

i. Strategic review by Senior Management Team to determine the framework in which the review could work including the following objectives:
   - savings should not result in job losses;
   - where saving are made, the Trust will seek to minimise the impact on service delivery or outputs;
   - organisational capacity should not be compromised (given it is used to attract external income);
   - consideration be given to raising income in the core funded areas rather than implementing cuts; and
   - savings should be achievable and permanent.
ii. Senior management then completed a brain-storming session to review organisational arrangements, potential partnership working (including meetings with other Trust management), new technology solutions/changes in working practices to obtain efficiencies;
iii. Face to face meetings with project officers to review operational arrangements and identify any potential savings;
iv. Challenge process to consider whether the drafted potential savings do not have any significantly detrimental impact on service delivery.

This process was undertaken during May and June 2009 and has taken a considerable amount of time and sensitivity, as in many cases, funding reductions has impacted on forward plans in a number of project areas. The element of non-pay funding now available to some project areas is so small (the salary costs may consume 95%+ of the budget) that funding is close to a 'tipping point' where there is insufficient 'non-pay' resource available to the project officers to deliver their objectives. Any further reductions in these areas would critically impact on service delivery and retention of valued staff.

3. **Outputs of the Review Process**

The process is now complete and our proposals for reductions in funding are as follows:

Project Area	Funding for 2009/10	Saving Identified
Management and Administration	515,538	23,500
Interpretation (Community History)	60,000	0
Natural Heritage	45,012	4,500
Archaeology	71,340	5,500
Place Names	46,933	3,000
Environmental Improvement	224,909	0
Woodlands	116,496	11,000
Planned Maintenance	381,986	82,500
Total	**£1,462,214**	**£130,000**

- **Management and administration** – here we propose a combination of cost reduction, additional income and we have also reviewed working arrangements;
- **Interpretation** – no savings proposed here. We distribute in full the £60,000 funding to 19 community organisations each year and there is pressure to increase resources. We are also reviewing the allocation process at present, to fairly share the programme funds across an increasing number of eligible groups;
- **Natural Heritage** – 10% reduction in funding (which does not even cover base salary costs). The Project Officer has agreed to raise additional income through 'consultancy work';
- **Archaeology** – 8% cut (again where current funding does not even cover base salary costs). The Project Officer will be seeking additional income for the commercial services provided to the Council and developers, where the workload is expected to rise going forward (especially if the wind farm scheme is approved);
- **Place Names** – 6% reduction in non-pay funding;
- **Environmental Improvement** – we cannot identify any savings in this area which is currently significantly under-funded;
- **Woodlands** – 10% reduction in funding driven through lower non-pay resourcing and additional commercial income (e.g. having an annual open day with 'surplus sale' at the horticulture unit)
- **Planned Maintenance** – significant saving here of more than 20%. We have looked closely at this area and believe that by adopting the following initiatives, we can realise the savings:
  - Bringing PAT-testing in-house (we have now trained two employees to complete this work which was previously contracted out);
  - Looking at vehicle replacement programmes, to potentially stretch vehicles to 6 years (from 5); and
  - Moving to a lease/HP scheme for vehicles, to smooth out the acquisition costs which vary considerably from year to year due to the varied types of vehicles purchased.

The reduction in funding represents a cut of some 9% for the Trust and follows from a very tough 2009/10 budget settlement. In putting forward these areas of potential saving, it needs to be noted that in realising most of them, delivery of core objectives becomes more challenging for our staff and any contingencies that may have been built in for unexpected events have been removed. We believe that with the savings as suggested, that in the short term, there is no significant threat to service delivery on the core funded areas, however, if further funding cuts were requested, or future pay and non-pay inflation were not funded, there would be a deleterious impact on the Trust.

It is also worth noting that as we seek to protect posts, with a smaller funding agreement, the proportion of pay costs of the total grant is increasing year on year (excluding planned maintenance and interpretation):

2008/09	83.3%
2009/10	83.8%
2009/10	87.2% (post savings)

4. The Way Forward

We have supported the review process, working in partnership with the other large Trusts and the Review Group to realise the savings target. We await the results of the full review and trust that our actions enable the Shetland Charitable Trust to achieve its funding reductions.

Shetland Amenity Trust
June 2009

2

Shetland Charitable Trust

Scottish Charity Number SC027025

REPORT

To: Shetland Charitable Trust

17 September 2009

From: General Manager

Report: 0909062

Application of Freedom of Information Act to Charities in Shetland

1. Introduction

1.1 This report is prepared in response to a query from a trustee at the Trustee Meeting on 2 July 2009 (Min Ref CT/53/09).

2. Background

2.1 The Freedom of Information (Scotland) Act 2002 ("the Act") became law on 28 May 2002. It lays down in law the way public bodies have to comply with certain requests for information.

2.2 The Act presently applies to a defined list of public bodies, which includes all local authorities, and many national organisations such as the Scottish Arts Council. It does not presently apply to charities such as Shetland Charitable Trust or any of its funded bodies although there have been exploratory discussions on the possible extension of coverage to contractors, registered social landlords, and local authority trusts or bodies.

2.3 Clearly, it is not within the power of Shetland Charitable Trust to change the legal definition of a public body within the meaning of the Act.

3. Present Position

3.1 It is very important that Shetland Charitable Trust (SCT) is as open and accountable as possible, whilst protecting the privacy of individuals who require assistance, and respecting the commercial confidentiality of businesses where appropriate.

3.2 SCT also respects the independence of the organisations which it funds, although it does request financial and service information from them, to ensure that the organisation is carrying out the activities for which it was funded. We do not seek to influence how the organisations are constituted, although we are concerned to encourage them to operate openly within the legal framework, as we do.

3.3 The requirements of the Act are very onerous. Anyone - from anywhere in the world - has a right to see any kind of recorded information from a Scottish public authority, however old the information is. You do not have to say why you want the information or what you want it for and the authority is obliged to respond to all information requests they receive within 20 working days of receipt.

4. Financial Implications

4.1 There are no financial implications arising directly from this report. However, as explained in paragraph 3.3, the resources which could be required for a request for information under the Act would probably be quite beyond SCT, and even more so the smaller charities which it funds.

5. Recommendation

5.1 Trustees are asked to agree not to require its funded bodies to comply with requests for information in terms with the Freedom of Information (Scotland) Act 2002, whilst encouraging them to be as open and accountable as possible.

Reference: EMA/TA1 Report Number CT0909062-f

3

Shetland
Charitable Trust

Scottish Charity Number SC027025

REPORT

To: Shetland Charitable Trust 17 September 2009

From: Financial Controller Report: 0909067

Resignation of Trustee
Appointment of Replacement Directors

1. Introduction

1.1 The purpose of this report is to formally notify Trustees of the resignation of a Trustee, and to seek nominations for a replacement director at each of the Trust's three subsidiary companies . There is no requirement that directors have to be drawn from the ranks of the Trustees, although that has been the custom to date.

2. Present Position

2.1 Allan Wishart has resigned as a Trustee of Shetland Charitable Trust (SCT), and as a director of Shetland Heat Energy and Power Limited (SHEAP), Shetland Leasing and Property Developments Limited (SLAP), and Viking Energy Limited (VEL), to take up a new post as Project Co-ordinator for VEL.

2.2 SHEAP is wholly owned by SCT. Directors are appointed by SCT, although there is a provision in its Articles of Association for the Board to appoint additional directors (Article 13), provided that the total number does not exceed seven. There are four directors remaining. It is felt that the business of SHEAP is best served by a board of at least five directors.

2.3 SLAP is wholly owned by SCT. Directors are required to be appointed by SCT (Article 27a). The minimum number is one and there is no maximum number. Over the years, the number of directors has increased from four to (at maximum) eight. At the moment there are six serving directors.

2.4 VEL is 90% owned by SCT. VEL's Articles of Association states (para 5.4.1) that "....the Company may by Ordinary Resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed any number determined in accordance with Article 5.1.2 above.....". There is no maximum number specified. At present there are two directors remaining. It is suggested that three directors is an appropriate number for VEL, as VEL nominates three representatives to the Viking Energy Partnership Board.

3. Proposal

3.1 Trustees are asked to appoint an additional director for each of SHEAP, SLAP and VEL. (This person may or may not be a Trustee of SCT).

4. Financial Implications

4.1 There are no financial implications arising from this report, as directors receive no remuneration.

5. Recommendation

5.1 Trustees are asked to note Mr Wishart's resignation, and to note that he is no longer authorised to sign documents on behalf of the Trust.

5.2 Trustees are asked to nominate replacement directors for SHEAP, SLAP and VEL.

Reference: EMA/JPG/C14 Report Number CT0909067-f

Shetland
Charitable Trust

4

REPORT

To: Shetland Charitable Trust 17 September 2009

From: Financial Controller Report Number: CT0909063

Ethical Investment

1. Introduction

1.1 Trustees have asked for a report on Ethical Investment. The brief from Trustees was to look at comparative performance of ethical funds and to inform a general Trustee debate on the topic.

1.2 Appendix B to this report is intended to satisfy that request. I have asked the Trust's Investment Consultant, Hymans Robertson to keep their report fairly short, but they do have material that contains more detailed coverage of the topic, should the Trustees wish to explore issues in greater depth.

2. Background

2.1 This topic has been debated at a few Trustee meetings over the last 5 years or so, with the last report and full discussion at the Trustees' meeting in July 2008 (min ref 45/08).

3. Legal Position

3.1 The Trust's legal advisers are Turcan Connell, and Simon Mackintosh of that firm has prepared a report on the current law, which makes interesting reading (Appendix A).

3.2 Simon's summary is that Trustees are entitled to follow an ethical investment policy, so long as they follow the law, put aside personal preferences and take proper advice.

3.3 Clearly, if Trustees are minded to substantially revise the current approach further and detailed advice will be required.

4. Investment Position

4.1 The Fund Managers' job is to make investment decisions to achieve a certain level of return (the target) by taking appropriate levels of risk (ideally the minimum needed). Trustees exert some degree of risk control by specify appropriate asset classes (e.g. UK listed shares allowed, betting on horse racing not allowed) through the benchmark and the limits around it.

4.2 Notwithstanding the above, Fund Managers have considerable freedom/opportunity to show skill in making investments decisions.

4.3 The Trust's current position is set out in its Annual Report in summary and the Trustee Handbook in more detail. I reproduce extracts below:

"The aim of the Trustee is to invest the reserves of the Trust to generate income to support charitable expenditure and to maintain the real value of the reserves in the long term. Trustees will seek to control risk through poor diversification and will take advice, as appropriate, in determining the mix of asset types in its investments."

"The Trust expects the Fund Manager to use investment criteria as the primary consideration in investment decisions. However, social, environmental and/or ethical considerations will be taken into account by the Fund Manager to the extent that their assessment shows that they will benefit the shareholders (i.e. the Trust) financially in the long term."

4.4 The University of Glasgow's Department of Accounting and Finance have written a report on charity ethical investment for the Association of Chartered Certified Accountants (ACCA) and quote the Shetland Charitable Trust's Annual Report as a "good example of investment disclosure."

5. Hymans Robertson's Report on Ethical Investment

5.1 Hymans Robertson's report is attached as Appendix B. The main author of the report, Mark Jaffray has met most of you in the past. Unfortunately Mark is unavailable for today's meeting and his colleague Graeme Johnston will attend in his stead.

5.2 The report has used tobacco companies as an example throughout. The same arguments apply to the exclusion of any other asset class.

5.3 I am not going to attempt to summarise Appendix B here as I believe it speaks for itself.

6. Financial Implications

6.1 Good investment decisions generate better growth for the Trust to use to fund charitable disbursements in the future. Bad investment decisions will reduce growth for the Trust to use to fund charitable disbursements in the future. Noting this report will have no direct financial implications.

7. Conclusion

7.1 Trustees can and do require the Fund Managers to give socially responsible issues due weighting in the investment decision.

8. Recommendation

8.1 I recommend that Trustees note the contents of this report and the two appendices.

Reference: JPG/cl/IA1 Report Number CT0909063

SHETLAND CHARITABLE TRUST

ETHICAL/SOCIALLY RESPONSIBLE INVESTMENT

1. General Legal Position

The general legal position on ethical/socially responsible investment is based on a handful of cases only one of which is Scottish.

- The Scottish position – Martin v The City of Edinburgh District Council (1988)

  By way of background the Martin case arose from a decision by the ruling Labour group to replace, within trust funds controlled by Edinburgh District Council, any investments in companies with major holdings in South Africa, as a protest against apartheid.

  The case held that Trustees *are* entitled to have a policy on ethical investment and to pursue that policy subject to the following:-

  (a) Trustees must treat the interests of the beneficiaries as paramount. However this does not translate into a duty to invest trust funds in the most profitable investment available; and

  (b) The investment policy must be consistent with the standards of care and prudence required by law – now stated in the Charities & Trustee Investment (Scotland) Act 2005 as aftermentioned.

- The English position – Bishop of Oxford v the English Church Commissioners (1991)

  In this case the Bishop sought a ruling that the Church Commissioners in making investment decisions were guided too rigorously by purely financial considerations. The Court rejected this argument and supported the investment policy being followed by the Church Commissioners. The Court said that the criteria which Trustees should bear in mind were:-

  (a) That any decision must be based on the needs of the beneficiaries of the charity, not the personal views or opinions of the Trustees on ethical matters;

  (b) That the purposes of the charity are usually best served by the Trustees seeking the best economic return;

  (c) That Trustees can exclude investments which they believe would directly impede the furtherance of the objects of the charity; and

(d) That the greater the financial risk the clearer the evidence that is required to show the impediment to objects.

Although there is a subtle difference in the approach taken by the Scottish and English Courts what is clear is that a balance must be struck between the views of the Trustees and thus any policy and the interests of the beneficiaries the latter of which must be paramount. The Bishop of Oxford judgement was delivered by the senior trust judge in England and is persuasive in Scotland. It and the Martin case are routinely cited together in both jurisdictions.

(a) **The Charities and Trustee Investment (Scotland) Act 2005 ("the Charities Act")**

In terms of the Charities Act a charity trustee has a statutory duty of care in that he or she must, in exercising functions in that capacity, act in the interest of the charity and must in particular act with the care and diligence that is reasonable to expect of a person who is managing the affairs of another person.

Section 94 of the Charities Act deals with the exercise of powers of investment and relative duties of Trustees. It is not clear whether the whole of this section applies where Trustees are relying on investment powers in the trust deed, but probably not. However the stated duties certainly reflect desirable practice and are very similar to general investment duties under English legislation. In the absence of any guidance on the point it would be sensible to act in accordance with the section. Therefore, in relation to the exercise of powers of investment, when reviewing the investments of the trust, the charity trustees should, except where they reasonably conclude that in all the circumstances it is unnecessary or inappropriate to do so, obtain and consider proper advice about whether the investments should be varied.

Proper advice means the advice of a person who is reasonably believed by the Trustee to be qualified by the person's ability and practical experience of financial and other matters relating to the proposed investment.

It will therefore be prudent to take the view that there is now an expectation that charity trustees will take advice if considering adopting an ethical/socially responsible investment policy and thereafter consider its impact on the portfolio.

(b) **Office of the Scottish Charity Regulator ("OSCR")**

The Charities Act also established OSCR with various functions, one of which is to encourage, facilitate and monitor compliance by charities within the provisions of the Act. OSCR has been providing guidance on various subjects. As at the date of this report, no such guidance has been published in relation to ethical/socially responsible investment.

Charity Commission guidance on this topic remains persuasive provided it is based on the law which Scotland follows.

(c) **Accounting and Reporting by Charities: Statement of Recommended Practice (2005) ("SORP 2005")**

In terms of the SORP 2005, a charity should explain, where material investments are held, the investment policy and objectives including the extent (if any) to which social, environmental or ethical considerations are taken into account. Charities not subject to a statutory audit requirement need not do so.

(d) **"Private Action: Public Benefit"/The Charity Commission**

Since July 2000, pension fund trustees have been required by law to state in their Statement of Investment Principles "the extent (if any) to which social, environmental or ethical considerations are taken into account and the selection, retention and realisation of investments", and "their policy (if any) in relation to the exercise of rights (including voting rights) attaching to investments". In the report "Private Action: Public Benefit", the Cabinet Office's Strategy Unit recommended that Trustees of larger charities should be required to make similar disclosures in their annual reports. The view was also expressed that it would be good practice for all charities to make such disclosures even when not required to do so.

These views did not find their way into either the Charities Act or the Westminster Charities Bill. However, this guidance is replicated in the Charity Commission Guidance "Investment of Charitable Funds: Basic Principles" namely that charity trustees should decide on an investment policy for their charity, record it clearly in writing, and keep it under regular review and should address the charity's stance on ethical investment, if any.

Although not obliged to follow any practices recommended by the Charity Commission, in the absence of any guidance from OSCR, it would seem prudent to follow its guidance in this particular area.

Summary

Although the caselaw has not in fact changed since the advice was first given in 1995 and again in 2006, the enactment of the Charities Act, SORP 2005, the establishment of OSCR and the issuing of guidance by the Charity Commission has certainly increased the level of scrutiny and disclosure in this area; and Trustees should take proper advice before adopting any such investment policy. Although there is no express statutory duty to take advice on an ethical investment policy based purely on Section 94 of the Charities Act, a general view of the caselaw and Trustees' duties of care indicates that such advice should be taken.

Turcan Connell
<u>June 2008</u>

HYMANS ROBERTSON

Shetland Charitable Trust

Ethical investment policy
September 2009

Mark Jaffray, Senior Investment Consultant
George Henshilwood, Partner

For and on behalf of Hymans Robertson LLP

Contents

1 Executive summary

This report is addressed to the Shetland Charitable Trust ("the Trust"). It should not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety. We accept no liability to any other party unless we have especially accepted such liability in writing.

The purpose of the report is to consider the implications for the Trust in following an ethical investment policy within the Trust's equity portfolio. In particular, the report considers the impact of excluding tobacco stocks (and other sectors of the equity market) from the portfolio. The report also considers the implications of following a wider exclusion policy and also of following an enhanced engagement policy.

It is imperative that the Trust considers the potential legal issues regarding their ability to introduce such a policy, and we understand that a formal legal opinion has been provided in this regard. For avoidance of doubt, this report does not comment on the legal position of the Trust in applying a negative screening policy (in particular, excluding tobacco stocks).

Background

The Trust currently assumes a policy of engagement in relation to socially responsible investing (and does not exclude any specific companies) through its passively managed equity portfolio (managed by BGI). As BGI are employed to manage a passive portfolio, which tracks the respective market indices, no companies are excluded for ethical or ESG[1] reasons.

Screening

A (negative) screening approach should be able to deliver the specific objective of avoiding investment in companies that the Trust wishes to avoid investing in (e.g. tobacco companies). Most investment managers can implement such a policy (at no extra cost) and investment guidelines and agreements can be amended easily to accommodate this. We are not aware of a local authority in the UK that follows a negative screening approach (in the investment of their pension scheme or any trust).

If the negative screen involves a fairly small part of the investment universe, it will have a relatively small impact on the Trust's investment risk and return profile. However, applying a negative screen reduces the investment universe and investment theory would imply that this will lead to periods of under or out-performance compared to the universe. Whilst any underperformance may be small in relation to the volatility of equity markets, and in relation to the size of the Trust, the absolute amounts could still be significant.

The implementation of a negative screening approach is likely to lead to a one off cost of re-organising the portfolio. If the screen applies to several sectors, this cost may be significant. We give an example of excluding tobacco companies from the Scheme, which we estimate would be small at circa £20k.

Excluding tobacco and other sectors

Tobacco company stocks, as a sector, have outperformed the UK equity market and the global equity market significantly over the past 20 years. A portfolio including a neutral market weighting (average 2% weight) in tobacco stocks would have outperformed a portfolio excluding tobacco stocks by about 0.2-0.3% per annum over the past 20 years. Given the Trust currently holds circa £92.5m in equities, if this level of underperformance continued, this would equate to a shortfall of approximately £0.2m p.a. in investment performance.

Excluding other sectors deemed unacceptable from an ESG perspective, for example companies that engage in activities such as the manufacture or distribution of armaments, alcohol, pornography or gambling services,

[1] Environmental, Social or Governance.

would also have led to past underperformance relative to the broad market index (although not to the same extent as tobacco).

FTSE have created a FTSE4Good set of indices that only includes companies that only meet certain ESG criteria. The UK version of this index (which also excludes tobacco and armament manufacturers) invests in approximately 80% of companies in the UK market and has underperformed the benchmark All Share index by 1.2% per annum over the 10 years since inception.

It is impossible, in our view, to predict whether tobacco stocks will or will not continue to outperform the market as a whole (in the UK or overseas) in the future. Therefore excluding tobacco stocks (or other sectors deemed 'unacceptable') may (or may not) result in potentially lost performance to the Trust.

Alternative approaches to ethical investment

The majority of investment managers, including the Trust's own equity manager BGI, have a policy of engagement with companies. However, the extent to which most investment managers engage with companies is limited. Several large institutional asset managers now offer specialist engagement services.

These can be accessed as an 'overlay' service only (at a minimum cost of around £50k per annum) separate from the day to day management of the portfolio; a different manager can be employed to manage the equity portfolio on an active or passive basis. However to access the overlay services, the equities would need to be managed within a segregated mandate (and not a pooled fund). These specialist managers have strong engagement capabilities and will lobby companies hard to follow better ESG policies. However, following purely an engagement approach does not mean the Trust's portfolio will exclude non-desirable sectors (e.g. tobacco).

An alternative approach is to invest in a specialist ESG-themed equity fund (e.g. a climate change fund). These funds have the advantage of investing in companies that should profit from developing sustainable technologies and services (and should avoid investment in the more ethically controversial companies). However, the number of funds and fund providers that adopt the thematic route is reasonably limited. The funds also tend to be concentrated in a few sectors, some of which are highly volatile. Taken together, these factors could lead to an unacceptably high level of risk for the Trust.

Conclusion

The implications on the Trust of following an ethical investment policy in the future are difficult to quantify. Excluding a small section of the equity market (e.g. tobacco) will not materially alter the risk profile of the Trust. The extent to which excluding sectors (e.g. tobacco) leads to a loss in investment return will depend on how the excluded sector performs in the future, but may result in a significant loss in investment return over a long period.

The Trust should bear this in mind in deciding whether to introduce an ethical policy.

Arguably, if the policy involved only excluding sectors which are a small part of the investment universe, an active equity manager may be able to make up the expected difference from any loss due the excluding sector outperforming the market, but this is not guaranteed.

2 Background

The current policy of the Trustee in relation to socially responsible investment within the Trust is to engage a policy of engagement. The Trust does not exclude any specific stocks, but rather delegates the consideration of socially responsible investing to the Trust's investment managers. The Trustee's policy is similar to most pension schemes and trusts; we are not aware of any UK local authorities following specific exclusion policies within their pension schemes or trust funds.

The Trusts' equity manager (BGI) has a policy of engaging with companies that they invest in (to various degrees) to attempt to better improve the environmental, social and governance ("ESG") credentials of the company. Whilst an investment manager may engage with a company on ESG issues, the overriding objective of the manager is to invest with the best financial interests of the client in mind. Of course, for a passive manager, that means holding every stock in the universe.

An active equity manager (e.g. Capital International) would typically only exclude a stock from their portfolio if they believed that the performance of the stock would be poor in relation to other stocks. A manager of a passive equity portfolio (e.g. BGI) would not exclude any company on ESG grounds (or for any other reason) if that company is included in the invested in the index they are tracking.

3 Screening: Methodology and implications

Screening is a methodology for addressing socially responsible investment issues in investment. It operates by using screening criteria to define a list of 'acceptable' companies. In its simplest form it could be used to screen (or exclude) specifically one type of company (e.g. tobacco companies). In its more complicated forms the screen could apply to all companies but take into account many SRI (socially responsible investment) criteria. Investors that typically use screening type approaches are (some) charities, church organisations and endowment Trusts.

Investment managers
Most asset managers can operate a negative screening approach. It is reasonably straightforward for managers to operate a policy of excluding certain companies. However, the managers will ask for clear guidelines as to which companies they should exclude from their investment universe. For example, if the Trustee wished to exclude tobacco companies from the Trust, clearly British American Tobacco would be on the list of excluded companies, as its main business is the manufacture and distribution of tobacco products. However, supermarkets, which sell tobacco, may not appear on the list of excluded companies. For a manager to implement an exclusion or negative screening policy the Trustee would need to set clear guidelines. In our experience, this can prove challenging given the range of opinions which can exist within a Committee and the diversity of business activities in which a single company may be engaged, only some of which may be unacceptable. (For example, a policy that excludes tobacco will clearly exclude British American Tobacco, whose business is manufacturing and distribution of tobacco. However, would the policy extend to other businesses that sell tobacco, e.g. supermarkets, pubs, etc?)

Performance considerations
Clearly a policy of negative screening enables the avoidance of investment in specific companies where investors wish not to deploy capital. Avoiding tobacco companies, for example, means that these companies are arguably deprived of access to capital (assuming the majority of investors follow suit) and could mean that this type of activity ultimately becomes uneconomic. The impact on the investment performance of the Trust of any exclusion policy would depend on the nature of the policy (we look at the implications of excluding tobacco and other sectors of the market in the following sections). Whilst a negative screening approach may have a detrimental approach to investment performance, it may not have a material impact on the relative risk profile of the Trust. Excluding a sector of the UK market representing, say 2%, of total market value, may cost the Trust some lost performance (and this may be significant in absolute amounts), but is unlikely to materially impact the investment risk or return of the Trust's assets over the short or long term. In contrast, a negative screening approach that excludes a significant part of the UK market is likely to have a material impact both in the short and long term.

Similarly the extent to which any negative screening policy constrains a manager's ability to outperform their benchmark will depend on the materiality of the stocks excluded as a proportion of the manager's 'normal' universe. The manager may claim it is more difficult to outperform their benchmark where certain sectors of their universe are excluded. Where the exclusion policy involves excluding a significant proportion of the investment manager's normal universe the manager may want to adjust their performance benchmark and their outperformance objective accordingly.

Implementation issues

There are many implementation issues to consider in following a negative screening policy. We discuss them briefly below:

- **Agreements and guidelines**. The current investment manager's agreements and guidelines will need to be updated to reflect the excluded stocks. The Trust currently has all its equities invested in passively managed pooled funds with BGI. BGI would need to be approached to alter the current mandate from a pooled fund to a segregated portfolio, with specific stocks excluded. Alternatively, if another manager were appointed, their mandate would need to reflect the excluded stocks. Most managers are capable of altering their systems to exclude certain stocks but a segregated mandate would be required.
- **Monitoring of stocks**. The Trust would need to create a policy that clarifies which stocks are to be excluded. This policy will need to be communicated to the investment manager(s) and updated regularly.
- **Ongoing costs**. Investment managers tend not to charge additional annual fees for implementing relatively simple exclusion policies.
- **Set-up costs**. In changing from a policy of no screening to introducing a negative screening policy, it will be necessary to sell excluded stocks and reinvest the proceeds. This is a one-off cost, but can be significant (an example of excluding tobacco from the Trust is set out in the following sections).

The following summarises the pros and cons of a negative screening policy.

Pros

- A negative screening approach should be able to deliver the specific objective of avoiding investment in tobacco companies.
- A negative screening approach is relatively straightforward to set up. Most investment managers can implement such a policy and investment guidelines and agreements can be amended easily to accommodate.
- Investment managers tend not to charge higher annual fees to implement a negative screening policy.
- If the negative screen involves a fairly small part of the investment universe it will have a relatively small impact on the Trust's investment risk and return profile relative to its liabilities.

Cons

- The Trust may conclude that for legal reasons, a negative screening approach cannot be followed.
- There is little evidence that a screening approach would 'encourage good behaviour and discourage bad behaviour'. Certainly, screening would deny ethically controversial companies access to the Trust's capital, but, given that very few investors adopt this approach, such companies would arguably be completely unaffected by such a stance.
- A screened investment approach is likely to reduce the investment universe (depending on the extent of the screening). This might lead to periods of under or out-performance.
- The implementation of a negative screening approach is likely to lead to a one off cost of re-organising the portfolio. This cost may be significant.

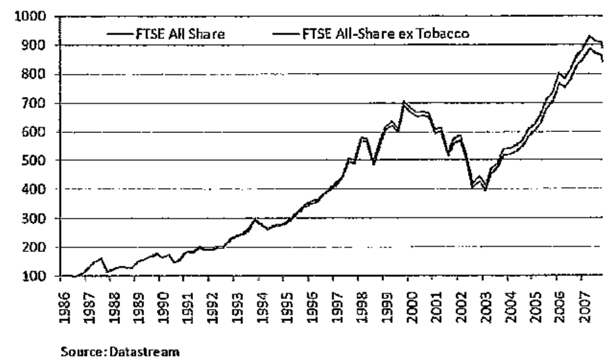
4 Screening: Impact on investment performance

In this section we consider the impact on past performance (and future expected performance) of excluding certain stocks from an equity portfolio. Firstly we consider the impact of excluding specific sectors (tobacco, aerospace and defence, beverages); then we consider the impact of excluding stocks based on multiple criteria (and use the FTSE4Good indices as a comparator).

Excluding tobacco stocks

Chart 1 shows the performance of the main UK market index (FTSE All Share) relative to the same index with tobacco stocks excluded; table 1 shows the annualised performance of both, and the difference. Over the last 20 years, a portfolio that included tobacco stocks has (consistently) outperformed a portfolio of stocks that has excluded tobacco stocks. The difference in performance has been around 0.3% per annum.

Chart 1: Performance of UK equities to 30/6/09 (FTSE ALL Share) with and without tobacco



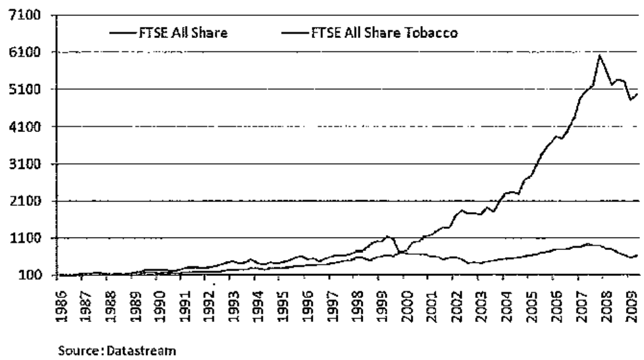


Table 1: Performance of UK equities to 30/6/09 (FTSE All Share) with and without tobacco (% p.a.)

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
FTSE All Share	-20.5	-6.5	3.1	0.1	6.1	7.3
FTSE All Share (ex-Tobacco)	-21.1	-6.9	2.7	-0.2	5.8	7.0
Difference (+/-)	+0.6	+0.4	+0.4	+0.3	+0.3	+0.3

The tobacco sector has represented, on average, 2% of the FTSE All Share index over the last 20 years. It currently represents 4.0% of the FTSE All Share, having outperformed the FTSE All Share index significantly in the last 2 years in particular; tobacco has been regarded as a defensive stock in the recent market turmoil.

The appendix shows similar data for global equities (as measured by the FTSE All World index), and the pattern is broadly the same. The lost performance has been slightly less in global equities, primarily because tobacco represents a smaller proportion of global equities (tobacco currently represents 1.2% of the FTSE All World).

Whilst the data shows that tobacco stocks have outperformed the rest of the market over the past 2 decades, it is difficult to conclude that this has always been the case and will always be the case. Tobacco has gone through periods when it has underperformed the market. In addition, whilst arguments can be put forward that tobacco may not continue to outperform the market in future, it cannot be concluded with any degree of certainty. Consequently, it is difficult (impossible) to conclude that excluding tobacco may not have a detrimental impact on the investment performance of the Trust.

Implementing an exclusion policy

The one-off cost of implementing an exclusion policy would arise from the need to sell the excluded stocks and purchase alternative stocks. The estimated cost of selling and reinvesting tobacco stocks within the Trust would be very small at circa £20k or 0.02% (based on £185m of total assets, with 50% invested in equities, market weights held in tobacco stocks). This cost would clearly be more substantial the greater the proportion of stocks excluded.

Excluding other sectors

The table below shows the performance of the FTSE All Share index and the impact on performance of excluding various sectors of the equity market. The data shows that an ethical policy that excluded (any or all of) tobacco, arms manufacturers, alcohol companies or companies that deal in gambling and pornography, would have consistently underperformed the market by between 0.1% per annum and 0.6% per annum (if all sectors had been excluded) over the last 15 years.

Table 2: Performance of sector indices to 30/6/09 relative to FTSE All Share (% p.a.)

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Sector as % of index[2]
FTSE All Share Index	-20.5	-6.5	3.1	0.1	6.1	7.3	
ex Aerospace & Defence[3]	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	1.29%
ex Beverages[4]	-0.7	-0.4	-0.3	-0.3	-0.1	-0.1	3.05%
ex Tobacco	-0.6	-0.5	-0.4	-0.4	-0.3	-0.3	2.12%
ex Travel & Leisure[5]	0.0	0.1	0.1	-0.1	-0.1	0.0	2.28%
FTSE 4Good UK Index	1.5	-1.0	-1.4	-1.2	n/a	n/a	80.95%

As stated above, it is difficult to predict whether this relationship (of excluded stocks typically outperforming the market index) will continue into the future. Various social pressures on companies may lead to this position being reversed. However, it is arguably even more difficult (due to lack of any evidence) for any investment committee to conclude that excluding certain arguably undesirable sectors will have a positive impact on future performance.

FTSE4Good

The main equity index provider in the UK, FTSE, has created a set of indices that only includes companies that meet certain positive ESG[6] criteria. The criteria are set by FTSE following input from a range of stakeholders (including NGOs, governmental bodies, consultants, academics, the investment community and the corporate sector).

The criteria are set to include companies that demonstrate good standards in corporate responsibility, in particular those companies that:

- minimise the social and environmental risks within their portfolios;

[2] Average sector weight as a percentage of the index over the last 20 years.
[3] Aerospace and Defence sector is a proxy for arms manufacturers.
[4] Beverages sector is a proxy for alcohol companies.
[5] Travel & Leisure is a proxy for pornography.
[6] Environmental, Social and Governance

- capitalise on the benefits of good corporate responsibility (e.g. eco-efficiencies, improved brand image etc);
- avoid investing in traditionally excluded sectors such as tobacco and defence; and
- actively encourage companies to be more responsible.

FTSE have created a range of 4Good indices including global indices, individual developed market indices and a UK index. The UK FTSE4Good Index currently includes approximately 80% of the constituents of the FTSE All Share index, and, as can be seen from the table, has underperformed the main market over the 10 years since inception of the index. This is no surprise as the FTSE4Good index excludes tobacco and defence companies, which have outperformed the market index over 10 years.

Passive funds are available (e.g. managed by Legal & General) that track the FTSE4Good UK and Global indices.

5 Alternative policy: Enhanced engagement

The policy of many investment managers on ESG issues is typically one of engagement. The company will actively communicate with, and attempt to influence the management of companies to alter policies positively in favour of ethical, social or governance issues. In practice, for many investment managers, the level of engagement will be minimal.

In recent years, however, a number of asset managers and asset owners have sought to better use their influence as institutional shareholders, to encourage good behaviour and discourage bad behaviour in the companies in which they invest. They have done this by using a variety of methods that are often collectively referred to as 'engagement' or 'enhanced engagement'.

Engagement typically includes meeting company directors to discuss concerns and to communicate how voting rights on shares might be exercised. Engagement may also include publicly criticising management, issuing league tables of corporate performance, forming coalitions of investors to increase pressure and other tactics.

Asset managers such as Hermes, F&C, Insight Investment, Morley, Henderson (and asset owners such as USS and Calpers in the US) have invested significant resources in this approach – each has specialist corporate engagement teams ranging from 3-20 people. A larger group of asset managers have undertaken engagement on a much smaller scale (e.g. hiring one specialist individual to do this work). By no means all asset managers undertake this work – some explicitly disavow any role to influence companies in this way.

The investors who have engaged most heavily are able to contact several hundred companies each year (at different levels of intensity) and claim to achieve significant results in terms of improvements in corporate behaviour on issues including environmental policy, carbon disclosure, biodiversity management, access to medicines, corruption, Directors' pay, board structure and human rights management. As one might expect the 'small-scale' engagers have rather less to show for their activity.

The experience of asset managers who do this work indicates that company Directors tend to accept that it is appropriate for shareholders to use their influence in this way, and are responsive to sensible arguments for improved practice. The only caveat is that shareholders cannot ask Directors to act in ways that appear to have a materially detrimental impact on shareholder value (e.g. in an extreme example, it would probably be considered inappropriate, or futile, for a shareholder to ask a tobacco company to stop manufacturing cigarettes).

Some specialist engagement managers are able to offer an 'unbundled' engagement service which can be applied to a portfolio managed by another manager. This has some appeal as it would allow the retention or appointment of a manager focused on delivering superior long-term returns without the constraints imposed by an ethical or ESG policy – the policy is implemented through the appointment of the specialist engagement "overlay" manager. (This would increase manager choice to the extent that the Trust could use conventional asset managers rather than SRI specialists, but could add significant additional costs to the Trust.)

Appointment of a specialist engagement manager (in addition to an active equity manager) can be expensive. Fixed costs for running an engagement program start at circa £50 to £100k per annum.

Some asset managers with substantial engagement capability offer equity products that could be considered by the Trust. Fees for an equity based fund 'with engagement' are typically similar to ordinary asset management fees.

Pros

- The engagement approach could fit an ethical policy closely. It would be possible for the Trust to appoint an asset manager with strong engagement capability on any ethical and environmental issues identified by the Trust. Such a manager would be able to engage with the companies held by the Trust
- Engagement would impose few restrictions on the choice on scope of any equity manager or region for the Trust.

Cons

- There are relatively few asset managers offering equity based products with strong engagement capabilities; this would restrict manager choice.
- Engagement *per se* would not be consistent with a policy of excluding certain companies (e.g. arms companies or tobacco companies).
- Employing a separate engagement specialist (in addition to employing an active or passive equity manager) would add significant cost to the Trust.
- The Trust would need to move the equities to a segregated portfolio in order to employ a third party engagement specialist.

6 Alternative policy: Thematic ESG

A growing number of thematic investment funds have been launched in recent years (e.g. a variety of climate change, clean technology, environmental technology and health care funds). The investment case for these funds is based partly on a view that the sectors identified by each theme are likely to deliver strong long-term returns, and partly on an argument that, by developing deep thematic understanding of an economically significant investment area, managers can deliver outperformance.

There is also an implicit social or sustainability benefit that, by investing in these funds, investors are in some sense supporting the companies covered by the theme. The precise nature of this 'support' is not all that easy to quantify.

Most of these funds invest in listed companies. They are therefore buying shares on the secondary market and not providing capital directly to these companies. These funds cannot claim credit for providing capital where it would otherwise not be available. One important exception to this would be the small number of funds that invest at the venture capital stage and hence are providing capital in a direct way.

By participating in the secondary market, these funds are providing extra liquidity in these companies' shares. This might reduce their cost of capital. If the thematic funds grew very large, this could be a significant factor and would be in some sense beneficial from a social/environmental point of view (though, it seems possible that reducing their cost of capital in this way would be at the expense of creating a bubble in their share prices).

From the point of view of an ESG policy, one benefit of these funds is that they tend not to invest in sectors which are ethically controversial. Clean technology companies tend not to be involved in arms manufacture, animal testing, or human rights abuses. So, although an explicit ethical screening policy is not employed, in effect a kind of screening would be delivered. However, it should be emphasised that the absence of an explicit screening policy means that it is possible that these funds might acquire ethically controversial investments. For example, it is conceivable that one of the big wind power companies might become involved in a corruption scandal in China at some point in the future.

Pros

- This approach may lead the Trust to being heavily concentrated in companies regarded as leaders in developing sustainable technologies and services.
- This approach would tend to lead to the avoidance of investment in the more ethically controversial companies.
- The avoidance of explicit ethical screening embodied by this approach could reduce the fiduciary issues conventionally encountered by the screening approach. However, to succeed, any thematic approach would have to satisfy the conventional trustee standards of prudence.

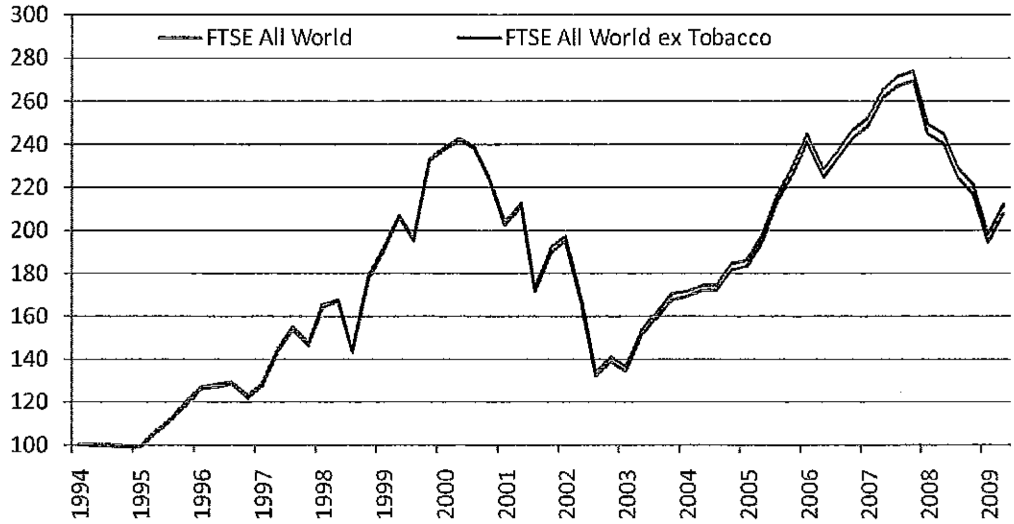
Cons

- Compared to engagement, it is less clear how this strategy would deliver significant additional sustainability benefits. Marginal increases in liquidity and reductions in the cost of capital for clean tech companies are fairly esoteric benefits when compared with persuading a big company to adopt more aggressive reductions in carbon emissions. Investment in clean tech companies at the venture capital stage, on the other hand, would deliver more tangible sustainability benefits, but would introduce significant challenges from an investment point of view.

- The number of funds and fund providers that adopt the thematic route is reasonably limited. The funds also tend to be concentrated in a few sectors, some of which are highly volatile. Taken together, these factors could lead to an unacceptably high level of risk for the Trust. This risk could be mitigated if the thematic approach were confined to a small area of the Trust.
- If a venture capital thematic vehicle was chosen, the Trust may be locked in for several years.

Appendix – Excluding tobacco companies from global equities

Chart 2: Performance of global equities to 30/6/09 (FTSE ALL World) with and without tobacco



Source: Datastream

Table 3: Performance of global equities to 30/6/09 (FTSE All World) with and without tobacco (% p.a.)

	1 Year	3 Years	5 Years	10 Years	15 Years
FTSE All World	-13.2	-2.4	4.0	0.2	5.2
FTSE All World (ex-Tobacco)	-13.5	-2.6	3.9	0.1	5.0
Difference (+/-)	+0.3	+0.2	+0.1	+0.1	+0.2

Shetland
Charitable Trust

5

Scottish Charity Number SC027025

REPORT

To: Shetland Charitable Trust — 17 September 2009

From: General Manager — Report: 0909079

Progress Report – Funded Bodies Review Group

1. Introduction

1.1 This report is to update Trustees on the work of the Funded Bodies Review Group.

2. Background

2.1 This short life working group was tasked to review aspects of SCT expenditure with a view to identifying possible savings.

3. Present Position

3.1 The group has been looking at aspects of activities and services where the SCT funding is over £500,000. Changes to the Christmas Grant Scheme have already been approved, and a concurrent report details proposals from the three big trusts, Shetland Recreational Trust, Shetland Amenity Trust and Shetland Arts Development Agency.

3.2 Work has started on the Equalisation of Charges budget, and proposals will be brought to the next Trustee Meeting. Work is also ongoing on Planned Maintenance. This will conclude the first phase of the review, after which budget heads under £500,000 will be reviewed, including the management of the SCT itself.

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 progress made by the Funded Bodies Review Group.

Reference: EMA/TA38 Report Number CT0909079-d

Shetland Charitable Trust

Scottish Charity Number SC027025

6

REPORT

To: Shetland Charitable Trust

17 September 2009

From: General Manager

Report: CT0909070

Governance of Shetland Charitable Trust

1. Background

1.1 A review group was established on 19 February 2009 to review the governance arrangements of the SCT in the light of the current regulatory and legislative framework.

2. Present Position

2.1 The Review Group has met seven times, and has had wide ranging discussions on the future composition of the Trust. A progress report has been sent to OSCR, and the group will have considered a final draft paper with proposals at its eighth meeting. The group will also have considered how best to introduce their proposals to Trustees.

3. Financial Implications

3.1 This report has no financial implications.

4. Recommendation

4.1 This report is for noting.

Reference: AB/EMA/TA38

Report Number CT0909070

Shetland
Charitable Trust

7

REPORT

To: Shetland Charitable Trust 17 September 2009

From: Financial Controller Report: CT0909071

INVESTMENT MONITORING – SHETLAND LEASING AND PROPERTY DEVELOPMENTS LIMITED (SLAP)

1 Introduction

1.1 This report is intended to provide Trustees with information needed to be able to monitor the Trust's investment in SLAP. SLAP has generated profits before gift aid and deferred tax of £3.9 million in 2008/09. This has added value to the SCT group.

1.2 The purpose of this report is to give a little "flesh on the bones" for SLAP and in particular attempt to present the information in a more "user friendly" manner. I find that the statutory accounting format is not particularly helpful when looking at a charity with a diverse range of investment activity. The statutory company accounts for companies that make returns to a charity often fail to reveal (easily) the true level of activity and profit.

2 Shetland Leasing and Property Developments Ltd

2.1 SLAP is a wholly owned subsidiary of the Trust; purchasing, developing and letting various properties and assets throughout Shetland. The accounts to 31 March 2009 show net assets of £50.5 million, which includes loans of £35.5 million to Shetland Charitable Trust.

2.2 The Board of Directors are:

Mr J H Henry (Chair)
Mr W H Manson (Vice Chair)
Mr A J Cluness
Mr A G L Duncan
Mrs C H J Miller
Mrs I J Hawkins
Mr A S Wishart (resigned 5 August 2009)

A separate report on today's agenda asks Trustees to nominate a replacement director.

2.3 The reported loss for year to 31 March 2009 is £302,859, after making a Gift Aid payment to the Trust of £4,252,593. As I have stated in 1.2 above, I do not think the statutory format tells the whole story. I have set out the profit and loss in a slightly different, and hopefully more "user friendly" format, in the table below:

	2008/09	2007/08
	£	£
Operating income	**2,578,364**	1,449,751
Interest Receivable	**1,564,862**	2,393,208
Operating expenses etc	**(314,480)**	(204,495)
Trading profit	**3,828,746**	3,638,464
Gift Aid	**(4,252,593)**	(2,862,548)
Deferred Tax	**120,988**	(214,422)
Reported (loss)/profit for the year	**(302,859)**	561,494

2.4 Gift Aid is treated as an expense in the statutory format. The Gift Aid payment in 2008/09 means that neither SLAP nor the Trust will pay tax on SLAP's taxable profits generated in 2007/08.

2.5 SLAP's property portfolio is set out in Appendix A. The leasing assets are a Britten Norman Islander aeroplane and a vessel, the Moder Dy. Both are leased to Shetland Islands Council.

3 SLAP (Trading) Ltd

3.1 SLAP (Trading) Ltd is a wholly owned subsidiary of SLAP Ltd. All activity in SLAP (Trading) has come to an end. The company is in the process of being wound up.

4 Financial Implications

4.1 The long term financial planning for the Trust assumes that the local economy investments will generate an annual return of around 5% above inflation. Clearly investments that do not achieve that return will have a negative impact on the financial health of the Trust and ultimately will reduce the annual amounts that can be paid out in charitable disbursements if the real value of the Trust is to be maintained. On the other hand, a return at or above that level will benefit the Trust financially. There is a second benefit to the community of successful investments within the Shetland economy.

4.2 Decisions taken in 2002 meant that SLAP and SLAP (Trading) ceased to offer finance directly to businesses. The process of reconfiguring the companies to concentrate on SLAP's core property development and asset leasing activities is complete. Although painful lessons were learnt in the five years around the millennium, SLAP has settled down to generate secure returns for the Trust. The net assets of SLAP plus cumulative profits to date now exceeds the £70 million invested in SLAP by SCT since 1981.

5 Conclusion

5.1 SLAP's property and leasing portfolio had another profitable year in 2008/09. Investments over the last two years (Scatsta, Solarhus, 66-72 Commercial Road and the Gutters Hut) along with those planned for the next two or three years (North Ness Offices, Scatsta phase 2, North Staney Hill) will result in a doubling of SLAP's property portfolio and the rental income thereon.

5.2 Investments in the local economy that successfully generate good and stable returns also benefit the community as a whole.

6 Recommendation

6.1 Trustees are asked to note the contents of this monitoring report.

Financial Controller
Shetland Charitable Trust
Our Ref:JPG/cl/DA5

Report No: CT0909071
Date: 7 September 2009

SLAP Properties

31-Aug-09

Property	Description	Tenant
Blacksness Industrial Estate	Two Industrial Units	Trou Acquaculture Scalloway Handling
66 Commercial Road	Office	Vacant
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
Firth Community Centre	Redundant Building	Advertised for sale
Graven Oil Depot	Industrial Estate	Total Waste Management Alliance plc
Greenhead Base Lerwick	Port/Industrial facility	SBS, SIC and Scomi Oil Tools
FE College Phase 1 Gremista	College Building	Shetland Islands Council
FE College Phase 2 Gremista	College Building	Shetland Islands Council
Gremista Industrial Estate, Lerwick, Site 1	Retail unit site	G & S Flooring
Heylor Fish Factory, Heylor, Ronas Voe, North Mavine	Fish Factory	Vacant, sale agreed
Kanterstead Road, Lerwick Drycleaners	Shop Site	Mr & Mrs A J T Watt
Kanterstead Road, Lerwick Takeaway	Shop Site	Mr S Li
Laxfirth Slaughter House Laxfirth, nr Gott	Slaughter House	Shetland Abattoir Co-operative Ltd

Property	Description	Tenant
Lochside Stores Lochside, Lerwick	Shop	Mr M Johnson
North Atlantic Fisheries College College, Scalloway	College	Shetland Islands Council
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 Woolen Mill, Hoswick, Sandwick	Factory Unit	Laurence Odie (Knitwear) Ltd
Scatsta Airport	Leased Land and Buildings	Intergrated Aviation Consortium (BP)
Scalloway Woolen Mill Park	Land (only)	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	Shetland Livestock Marketing Group
Tourist Information Office 107 Commercial Street	Tourist Information Office	Visit Scotland
Walls Bakery and tea rooms, Walls	Bakery	C & A Hodge
Walls Shop, Walls	Shop	Mr & Mrs Smith
Weathersta Indsutrial Complex, Weathersta, Brae	3 workshops plus a substantial yard area	Hjatland Seafarms Ltd
Whalsay Fish Factory, Whalsay	Fish Factory	Sale agreed to Whalsay Fish Processor Ltd
WAG Site	Development Site	Intended: SIC Social Care

Shetland
Charitable Trust

Scottish Charity Number SC027025

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REPORT

To: Shetland Charitable Trust

7 September 2009

From: General Manager

Report No. CT0909073

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 - £6,224

2.1 The following community development grants were approved by the Head of Service, Community Development in the period from 13 June to 28 August 2009: -

Name of Organisation	Grant Approved (£)
Shetland Family History Society	1,000
Quarff Public Hall	1,000
Walls Public Hall	225
Ollaberry Public Hall	870
Bixter Public Hall	1,000
Brae Youth Centre	1,500
1st Sandwick/ Cunningsburgh Boy's Brigade	629

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3. Community Support Grants - £13,079

3.1 The following community support grants were approved by the Head of Service, Community Development in the period from 13 June to 28 August 2009: -

Name of Organisation	Grant Approved (£)
Kinderquarff	270
Brae Youth Centre	9,868
1st/ 2nd Lerwick Sea Scouts	2,186
1st Sandwick/ Cunningsburgh Boys Brigade	755

4. Community Arts Grants - £13,594

4.1 The following community arts grants were approved by the Head of Service, Community Development in the period from 13 June to 28 August 2009: -

Name of Organisation	Grant Approved (£)
Aestaewast	1,500
Mr David Marsh	202
Mrs Joyce Williamson (on behalf Callum Williamson)	155
Vunk Fest	1,500
Shetland Folkdance	1,500
Mr Dougie Stevenson (on behalf Ryan Stevenson)	177
Miss Victoria Laurenson	364
Miss Victoria Laurenson	177
Miss Linda Henry (on behalf Kirsten Henry)	177
Shetland Film Club	1,808
Mrs Mary Blance	209
Mrs Lynn Johnson (on behalf Adam Johnson)	363
Mr Jonny Polson	363
Ms Joy Duncan	160
Miss Mary Rutherford	177
Mr Anthony Humbleyard	507
Mrs Irene Williamson (on behalf Lana Thomson)	177
Ms Barbara Ridland	575
Ms Roxane Permar	503
Shetland Blues Festival	3,000

5. Recommendation

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

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Shetland Charitable Trust

Scottish Charity Number SC027025

REPORT

To Shetland Charitable Trust

17 September 2009

From: General Manager

Report No. CT0909074

RECOMMENDED DISBURSEMENTS – SOCIAL CARE

1. Background

1.1 This report concerns approvals by the Council's Head of Community Care in the period to 28 August 2009, in terms of Report Number CT/030/94, which was approved by the Trustees on 8 April 1994.

2. Social Assistance Grant Scheme - £3,033.14

2.1 The Head of Community Care approved the following;-

	(£)
7 Social Assistance Grants of up to £2,000 (Appendix A)	3,033.14

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

3. Independence at Home Scheme - £7,116.20

3.1 In terms of Report Number CT/007/94, which was approved by Trustees on 8 April 1994, the Head of Community Care approved Independence at Home Scheme expenditure totalling £7,116.20 (Appendix B).

3.2 The grant would be allocated from the remaining Independence at Home Scheme budget head.

4. Recommendations

4.1 Trustees are asked to note the following approvals by the Head of Community Care: -

a)	the Social Assistance Grants referred to in paragraph 2.1, totalling	£3,033.14
b)	The Independence at Home Scheme Grant referred to in paragraph 3.1, totalling	£7,116.20

Shetland Charitable Trust
Date: 4 September 2009

Ref: AW/DS1 Report No: CT0909074

APPENDIX A

SOCIAL ASSISTANCE GRANT SCHEME at 28 August 2009

Funds available in 2009/2010	**£ 35,000.00**
Add enhancements from 2008/09	**£ 7,987.00**
Less previously allocated	**£ 8,555.51**

Less the following:-

Reference	Amount
09/10 17	£ 159.99
09/10 18	£ 294.68
09/10 19	£ 299.99
09/10 20	£ 675.00
09/10 21	£ 380.00
09/10 22	£ 853.48
09/10 23	£ 370.00

(7) Approvals by Executive Director, Education and Social Care **£ 3,033.14**

Balance of Funds remaining **£ 31,398.35**

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

INDEPENDENCE AT HOME SCHEME at 28 August 2009

The following has been approved in terms of the above scheme and is presented for noting:-

Reference	Amount	Reference	Amount
1305	£239.20		
1357	£3,737.50		
1359	£1,375.40		
1369	£388.70		
1374	£1,375.40		

(5) Approvals by Executive Director, Education and Social Care **£7,116.20**

I confirm that the above grants has been approved for the relief of vulnerable persons in need by reason of age, ill health, disability or financial hardship and I accordingly recommend that Shetland Charitable Trust note the grant as approved above. These grants are for consultant's fees and relate to committed expenditure.

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

Shetland Charitable Trust

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Scottish Charity Number SC027025

REPORT

To: Shetland Charitable Trust — 17 September 2009

From: Financial Controller — Report No: CT0909075

MANAGEMENT ACCOUNTS – THREE MONTHS ENDED 30 JUNE 2009

1 Introduction and Key Decisions

1.1 This report presents the Trust's Management Accounts to the end of June 2009, for noting. These Management Accounts deal with revenue budgets and expenditure.

2 Management Accounts

2.1 Table 1 below shows the Summary Budget for the Charitable Trust for 2009/10, and the expenditure in the three months to 30 June 2009.

Table 1: Summary Management Accounts 2009/10

Item	Current Budget £m	Spend to June 09 £m
Charitable Expenditure		
Programmes and Organisations	10.4	3.0
Maintenance/Capital Programme	2.0	0.6
Operating Costs	0.6	0.1
Total	**13.0**	**3.7**

2.2 A more detailed analysis of the expenditure programmes is set out in Appendix 1.

2.3 The total budget for Programmes and Organisations is £10.4 million, of which £3 million has been spent to date. Where the running costs of projects are greater than £20,000, grant assistance is paid out in 2 stages - the first payment is made in April and the second in October (subject to a review of the organisation's accounts from the previous year).

2.4 The Maintenance Funding Programme includes £1.2 million, which is paid to the major Trusts in two instalments with 50% of the budget being paid at the beginning of the year on submission of their maintenance programme for the year. The second instalment will be paid on receipt of a satisfactory statement of the first six months' expenditure.

2.5 Table 2 below sets out the revisions/enhancements to the original budget for 2009/10 to give the current budget.

Table 2: Budget Enhancements

Original Budget	**Presented 19 February 2009**	**12,359,817**
Enhancements	**Approved 28 May 2009**	
	Independence at Home Scheme	10,000
	Social Assistance Grant Scheme	7,987
	Cost of Change (Trusts)	24,756
	Fire Upgrades (Care Homes)	593,600
Revised budget	**as at 30 June 2009**	**12,996,160**

3 Financial Implications

3.1 No direct financial implications flow from this information report.

4 Recommendations

4.1 I recommend that Trustees note the satisfactory financial performance to June 2009, as shown in the Management Accounts in Appendix 1.

Financial Controller
Shetland Charitable Trust
Our Ref:LF/DA5

Report No: CT0909075
Date: 26 August 2009

Shetland Charitable Trust Management Accounts
Charitable Expenditure : Period to 30 June 2009 **Appendix 1**

	Current budget £		Actual spend to 30 June £	year to date variance £
Charitable Organisations				
Shetland Amenity Trust	1,080,228		540,114	540,114
Shetland Arts Development Agency	773,376		386,688	386,688
Shetland Field Studies Service	37,206		0	37,206
Shetland Recreational Trust	2,781,550		1,390,775	1,390,775
Shetland Youth Information Service	188,840		94,420	94,420
COPE Limited	154,967		77,484	77,483
Citizens Advice Bureau	147,850		73,925	73,925
Voluntary Services Resource Centre	144,412		72,206	72,206
Shetland Churches Council Trust	54,115		27,058	27,057
SCSS - Childrens Befriending Scheme	55,935		27,968	27,967
SCSS - New Shetlander	370		370	0
Disability Shetland Recreation Club	12,641		12,641	0
Womens Royal Voluntary Service	51,498		25,749	25,749
The Swan Trust	48,900		24,450	24,450
Shetland Link Up	47,994		23,997	23,997
Shetland Link Up - Art Therapy	26,212		13,106	13,106
Relate Shetland	12,000		12,000	0
Cost of change (Trusts)	24,756	*	0	24,756
Sub Total Charitable Organisations	**5,642,850**		**2,802,951**	**2,839,899**
Projects				
Independence at Home Scheme	10,000	*	92	9,908
Xmas grant Scheme	1,147,500		-321	1,147,821
Equalisation of Charges	3,291,189		78,624	3,212,565
Community Development Grants	22,272		5,991	16,281
Community Support Grants	64,321		1,699	62,622
Festival Grants	30,000		30,000	0
Arts Grant Scheme	35,000		5,395	29,605
Social Assistance Grants	42,987	*	8,556	34,431
Senior Citizens Clubs	23,000		14,289	8,711
Buses for Elderly and Disabled	49,980		8,000	41,980
Local Charitable Organisations	14,000		7,552	6,448
Sheltered Housing Heating	26,010		0	26,010
Employment of Disabled	8,000		0	8,000
Springfield Running costs	1,500		71	1,429
Sub Total Projects	**4,765,759**		**159,947**	**4,605,812**

Shetland Charitable Trust Management Accounts
Charitable Expenditure : Period to 30 June 2009 **Appendix 1**

	Current budget £	Actual spend to 30 June £	year to date variance £
<u>Property Advice & Maintenance</u>			
Shetland Amenity Trust	381,986	190,993	190,993
Shetland Arts (including Weisdale Mill)	78,250	34,742	43,508
Shetland Recreational Trust	809,374	404,687	404,687
Market House	38,000	0	38,000
Swan Trust	21,100	10,550	10,550
Rural Care Homes Fire Safety	593,600 *	9,368	584,232
Springfield Chalet	2,700	0	2,700
Property Advice	48,500	0	48,500
Total Property Advice & Maintenance	**1,973,510**	**650,340**	**1,323,170**
Refunded Surplus Running Cost Grants		-21,798	21,798
IAHS Refunds		-849	849
Recovery of ex-SAT loans		0	0
OVERALL TOTAL	**12,382,119**	**3,590,591**	**8,791,528**
Management & Admin	605,041	147,718	457,323
Maintenance 22-24 North Road	9,000	0	9,000
Total	**12,996,160**	**3,738,309**	**9,257,851**

* These budgets have been modified by subsequent decisions of the Trust

Shetland Charitable Trust Management Accounts

Appendix 1

Management and Administration: Period to 30 June 2009

	Current Budget £	Actual Spend to 30 June £	Variance £
Staffing Costs			
Basic Pay and Allowances	370,713	80,000	290,713
Professional Membership Fees	2,000	130	1,870
Travel and Mileage	4,000	1,552	2,448
Training and Staff Development	7,000	1,580	5,420
Sub Total Staffing Costs	**383,713**	**83,262**	**300,451**
Operating Costs			
Insurance	10,000	9,420	580
Administration	8,000	1,125	6,875
Supplies and Services	7,000	1,122	5,878
Bank Charges	1,500	413	1,087
Professional Fees: Other	10,000	3,329	6,671
Miscellaneous Items	1,000	527	473
External Audit Fees	14,000	14,375	-375
Trustees Allowances	8,500	2,336	6,164
Trustees Expenses	2,500	659	1,841
Legal Fees	48,610	6,206	42,404
Sub Total Operating Costs	**111,110**	**39,512**	**71,598**
Property Costs			
Energy Costs	5,000	1,117	3,883
Cleaning	7,000	28	6,972
Sub Total Property Costs	**12,000**	**1,145**	**10,855**
Sub Total Direct Costs	**506,823**	**123,919**	**382,904**
Bought In Services			
Finance	44,940	12,299	32,641
Internal Audit	1,850	0	1,850
Personnel Advice	2,406	0	2,406
Committee Services	11,563	11,500	63
Computer Services	35,347	0	35,347
Insurance Admin	2,112	0	
Sub Total Bought In Services	**98,218**	**23,799**	**72,307**
Grand Total	**605,041**	**147,718**	**455,211**

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Shetland Charitable Trust

Scottish Charity Number SC027025

REPORT

To: Shetland Charitable Trust — 17 September 2009

From: Financial Controller — Report: CT0909076

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 Appendices A i) and A ii) list the investment decisions made by Insight Investment Management Limited during the period from 1 June 2009 to 30 June 2009.

2.2 Appendices B i) and B ii) list the investment decisions made by Barclays Global Investors during the period from 1 April 2009 to 30 June 2009.

2.3 Appendix C lists the investment decision made by Schroder Investment Management Limited during the period from 1 June 2009 to 30 June 2009.

2.4 Appendix D lists the investment decision made by Record Currency Management Limited during the period from 1 June 2009 to 30 June 2009.

2.5 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.

2.6 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, 14 August 2009:

	£ million
Market Value at start	143.1
Market Movement	22.8
Injection/(Withdrawal)	(3.5)
Market Value at close	162.4

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

4. Recommendation

4.1 The Trustees are asked to note this report.

APPENDIX Ai)

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) 4.5% GILT 07/03/13 GBP0.01	QF GB GB	16/06/2009	240,000.00	253,512.00
UK(GOVT OF) 4.25% STK 07/12/2055 GBP100	QF GB GB	16/06/2009	190,000.00	178,733.00
TOTAL UNITED KINGDOM				432,245.00
OVERSEAS				
UNITED STATES TREAS BDS DTD 00206 4.5% DUE 05-15	QF GB US	19/06/2009	2,853,000.00	1,719,032.87
TOTAL				1,719,032.87

APPENDIX Aii)

INSIGHT INVESTMENT MGMT REPORT – SALES

NAME OF SECURITY		AREA QF = quoted fixed UF = unquoted fixed	DATE	NUMBER OF UNITS	SELLING PRICE (£)	PROFIT/ (LOSS) (£)
UNITED KINGDOM						
ILF GBP LIQUIDITY FD		DEP	17/06/2009	410,000.00	410,000.00	0.00
ILF GBP LIQUIDITY FD		DEP	24/06/2009	40,000.00	40,000.00	0.00
TOTAL UNITED KINGDOM					450,000.00	0.00
OVERSEAS						
GERMANY(FED REP) 4.25% BDS 04/07/39	EUR0.01	QF GB DE	19/06/2009	1,960,000.00	1,634,506.10	-138,768.84
TOTAL OVERSEAS					1,634,506.10	-138,768.84

APPENDIX B i)

BGI REPORT – PURCHASES

NAME OF SECURITY	AREA QE = quoted equity UE = unquoted equity	DATE	NUMBER OF SHARES	PURCHASE PRICE (£)
UNITED KINGDOM				
BARCLAYS GBL INV CHARITRAK COMMON INVESTINC	UE UT GB	01-Apr-09	325,162.51	2,271,000.00
TOTAL UNITED KINGDOM				2,271,000.00
OVERSEAS				
BARCLAYS GBL INV BGI NORTH AMERICAN IDX NAV	UE UT IE	03/06/2009	248,877.77	1,484,000.00
BARCLAYS GBL INV INDEX SELECTION JAPAN IDX	UE UT IE	03/06/2009	152,651.80	743,000.00
BARCLAYS GBL INV INDEX SELECTION JAPAN IDX	UE UT IE	12/05/2009	2,954.93	15,155.00
TOTAL OVERSEAS				2,242,155.00

APPENDIX B ii)

BGI REPORT – SALES

NAME OF SECURITY	AREA QE = quoted equity UE = unquoted equity	DATE	NUMBER OF SHARES	SELLING PRICE (£)	PROFIT/ (LOSS) (£)
UNITED KINGDOM					
BARCLAYS GBL INV CHARITRAK COMMON INVESTINC	UE UT GB	06/06/2009	285,989.47	2,227,000.00	-463,717.95
TOTAL UNITED KINGDOM				2,227,000.00	-463,717.95
OVERSEAS					
BARCLAYS GBL INV IDX SELECTION EURO EX UK AC	UE UT IE	20/05/2009	1,049.73	10,551.00	-1,731.28
BARCLAYS GBL INV IDX SELECTION EURO EX UK AC	UE UT IE	19/05/2009	3,848.24	38,400.00	-6,626.03
BARCLAYS GBL INV INDEX SELECTION JAPAN IDX	UE UT IE	01/04/2009	133,265.05	622,000.00	-50,258.34
BARCLAYS GBL INV BGI NORTH AMERICAN IDX NAV	UE UT IE	01/04/2009	51,126.66	295,000.00	-65,431.98
BARCLAYS GBL INV IDX SELECTION EURO EX UK AC	UE UT IE	01/04/2009	32,699.54	287,000.00	-95,598.44
BARCLAYS GBL INV INDEX SELEC PAC RIM IDXSUB	UE UT IE	01/04/2009	81,072.74	1,067,000.00	-252,121.85
TOTAL				2,319,951.00	-471,767.93

APPENDIX C

SCHRODERS REPORT – PURCHASES

NAME OF SECURITY	AREA QE = quoted equity UE = unquoted equity	DATE	NUMBER OF SHARES	PURCHASE PRICE (£)
UNITED KINGDOM				
BLACKROCK UK FD	UP UT GB	12/06/2009	19,438.00	525,914.53
TOTAL UNITED KINGDOM				525,914.53
OVERSEAS				
NO OVERSEAS INVESTMENTS PURCHASED				
TOTAL OVERSEAS				0.00

APPENDIX D

RECORD REPORT – SALES

NAME OF SECURITY	AREA QE = quoted equity UE = unquoted equity	DATE	NUMBER OF SHARES	SELLING PRICE (£)	PROFIT/ (LOSS) (£)
UNITED KINGDOM					
RECORD CCY ALPHA CASH PLUS FUND RCM D CLASS	CU UT GB	09/06/2009	36,920.69	2,027,388.81	-972,611.19
TOTAL UNITED KINGDOM				2,027,388.81	-972,611.19
OVERSEAS					
NO OVERSEAS INVESTMENTS SOLD					
TOTAL				0.00	0.00