

Chief Executive: Dr Ann Black

22-24 North Road
Lerwick
Shetland
ZE1 0NQ

Telephone: 01595 744994
mail@shetlandcharitabletrust.co.uk
www.shetlandcharitabletrust.co.uk

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

Our Ref: TA48

Date: 2 February 2023

Dear Sir/Madam

You are invited to the following meeting:

Shetland Charitable Trust
22-24 North Road, Lerwick, ZE1 0NQ (and remotely via Zoom)
Thursday 9 February 2023 at 11.00am

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

(Please note that a Zoom invitation will be sent separately for those attending remotely)

Yours faithfully

(signed) Dr Ann Black
Chief Executive

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of Interest - Trustees are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Trustee making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.

(d) Confirm minutes of meeting held on 24 November 2022 (*enclosed*).

For Decision

1. Main Grant Scheme 2023/24 – Service Targets. *Report enclosed.*

For Information

2. Investment Performance Update – Nine Months to 31 December 2022. *Report enclosed.*

3. Management Accounts – Nine Months to 31 December 2022. *Report enclosed.*

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

*The following items contain **CONFIDENTIAL** information*

For Decision

5. Recruitment of Trustees. *Report enclosed.*

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

For Information

7. Deeds Executed. *Report enclosed.*

8. Update from Chairs of Advisory Committees.

9. Update from Subsidiary Companies.

REPORT

To: Shetland Charitable Trust

Date: 9 February 2023

From: Chief Executive

Report: CT2302001

Main Grant Scheme 2023/24 - Service Targets

1. Introduction

1.1 The purpose of this report is to ask Trustees to approve the recommendations of the General Purposes Advisory Committee (GPAC) to issue the Grant Offer Letters for the Main Grant Scheme 2023/24. The Grant Offer Letters will set out the outcomes, activities and evaluation of the services and standards expected to be received for the grants awarded to each organisation.

2. Background

2.1 At their meeting on 24 November 2022, Trustees approved the Main Grant Scheme disbursements for 2023/24 (CT2211037). The budget report (CT2211032) set out the recommended budget for the 2023/24 disbursements.

2.2 As noted in section 3.4 of that report (CT2211037) the service outcome targets for the organisations were yet to be agreed.

3. Present Position

3.1 Outcomes, activities and the evaluation plans for each organisation are now being prepared.

3.2 For the Main Grant Scheme, the Trust has sought to move the targets away from activity based reporting to outcome based reporting. The evaluation plan for each is essential to demonstrate that these outcomes are meaningful and measurable.

3.3 Significant progress has been made with organisations to deliver this change in approach, and a consistent methodology is now in place. However, work will continue to improve and refine these for the next disbursement cycle.

3.4 The General Purposes Advisory Committee (GPAC) has oversight for the Service Targets and they are satisfied with the methodology and consistent approach adopted. The majority of these were considered by the GPAC at their meeting on 18 January 2023, and were recommended for approval.

- 3.5 The evaluation plans for four organisations had not been received in time to provide these at the GPAC meeting on 18 January 2023. The outstanding plans will be presented at the next GPAC meeting for consideration.

4. Financial Implications

- 4.1 There are no financial implications as the budgets were previously agreed at the meeting on 24 November 2022 (CT2211032).
- 4.2 The Trust requires that all organisations demonstrate financial stability before the payment of their grant award.

5. Recommendation

- 5.1 The General Purposes Advisory Committee recommend Trustees approve the preparation and issue of Grant Offer Letters for the Main Grant Scheme 2023/24, noted at 3.4 above.
- 5.2 The General Purposes Advisory Committee request delegated authority to approve the preparation and issue of Grant Offers Letters for the Main Grant Scheme 2023/24 for the four organisations noted in section 3.5 above, when they are finalised.

All the Grant Offers Letters will set out the outcomes, activities and evaluation of the services and standards expected to be received for the grants awarded for each organisation.

REPORT

To: Shetland Charitable Trust

Date: 9th February 2023

From: Chief Executive

Report: CT2302002

Investment Performance Update – Nine Months to 31st December 2022

1. Introduction

- 1.1 The Trust's external investments are managed on its behalf by fund managers. The purpose of this report is to review investment performance for the six months to 30 September 2022.

2. Market Performance

- 2.1 Equities markets have continued to decline over the last nine months, with growth stocks being particularly hard hit. Economic uncertainty remains high and volatility is likely to continue until inflationary pressures ease, however there has been an upturn in performance since the beginning of 2023.

3. Overall External Fund Performance

- 3.1 This report concentrates on the nine months from April 2022 to December 2022. However, as the Trust is a long term investor, the report also considers the performance over one and three years.
- 3.2 The Trust has four fund managers with total investments under management at the end of December 2022 of £356.5 million. The funds, type of mandate and market values at the end of December 2022 are as follows:

Manager	Mandate	Market Value Dec 2022 (£m)	% of Reserves
Baillie Gifford	Active Equities	149.2	41.8
BlackRock	Passive Equities	88.6	24.9
Schroders	UK Property	73.7	20.7
Insight	Diversified Growth	45.0	12.6
Total		356.5	100.0

- 3.3 The return on the Trust's external investments over the nine month period was minus 16.8%.

- 3.4 The Trust's Financial Plan 2020-25 assumes a medium term return of 6.5% per annum. This is the return the Trust seeks over the medium term to meet its planned expenditure and to preserve the value of reserves in real terms.
- 3.5 The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against the combined benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	(16.8)	(4.2)	(12.6)
1 Year	(25.5)	(4.5)	(21.0)
3 Years	5.8	5.5	0.3

- 3.6 Over the long term, the Trust's external investments have exceeded the benchmark return and have met the Financial Plan assumed return.
- 3.7 The returns over the last 12 months have been poor reflecting the world economic slowdown caused by inflationary pressures and geopolitical tensions.

4. Fund Manager Performance Baillie Gifford

- 4.1 Baillie Gifford has an active equity mandate which invests in around 30-50 shares throughout the world. The benchmark for Baillie Gifford is the MSCI All Country World Index.
- 4.2 Detailed below is Baillie Gifford's performance for the last nine months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	(26.4)	(5.6)	(20.8)
1 Year	(39.9)	(8.1)	(31.8)
3 Years	7.1	7.4	(0.3)

- 4.3 Baillie Gifford returned minus 26.4% over the nine months to 31 December 2022, compared to the broad market return of minus 5.6%, which was 20.8% below the benchmark return.
- 4.4 Growth stocks, which Baillie Gifford invest in, have been particularly hard hit by inflationary pressures, the downturn in consumer spending, the war in Ukraine and wider market sentiment. Although, these have shown a significant upturn since beginning of 2023.
- 4.5 Over the longer term. Baillie Gifford have delivered excellent returns for the Trust. Despite the recent downturns, over the last three years, Baillie Gifford have returned 22.8% equivalent to a return of 7.1% per annum.

5. Fund Manager Performance BlackRock

- 5.1 The fund with BlackRock is invested passively in equities, and the product invested in is the iShares MSCI World SRI UCITS EFT. This fund focuses on “socially responsible investment” (SRI).
- 5.2 The benchmark for this fund is the MSCI World SRI Select RFF Index. However, this is not currently available to Northern Trust and therefore it has been agreed that they will continue to use the previous benchmark, which is made up of the All Share indices in each region the funds are invested in.
- 5.3 Detailed below is BlackRock’s performance for the last nine months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	(8.4)	(1.7)	(6.7)
1 Year	(11.9)	(2.5)	(9.4)
3 Years	3.1	4.5	(1.4)

- 5.3 The mandate with BlackRock over the six months to 31 December 2022 produced a return of minus 8.4%, which was 6.7% below the benchmark for the period.
- 5.4 Over the last three years, BlackRock have returned 9.6%, equivalent to a return of 3.1% per annum.

6. Fund Manager Performance Schroders

- 6.1 Schroders invests in property via a fund of funds approach where they invest in various different property funds to spread investment risk. The Benchmark for Schroders is the IPD UK All Balanced Fund Index.
- 6.2 Detailed below is Schroders’ performance for the last nine months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	(7.4)	(14.3)	6.9
1 Year	(4.4)	9.5	5.1
3 Years	2.9	2.2	0.7

- 6.3 Over the nine months to 31 December 2022 Schroders have returned minus 7.4%, which was above the property benchmark.
- 6.4 Over the last three years, Schroders have returned 9.0%, equivalent to a return of 2.9% per annum.

7. Fund Manager Performance Insight

- 7.1 Insight has a diversified growth fund mandate, which invests into various different asset classes to spread risk and smooth returns. The benchmark return for Insight is an annual return of cash plus 4.0% over rolling five year periods.
- 7.2 Detailed below is Insight's performance for the last nine months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	(7.2)	4.3	(11.5)
1 Year	(9.6)	5.4	(15.0)
3 Years	(1.2)	4.6	(5.8)

- 7.3 Overall, Insight produced a return of minus 7.2% over the period, which was 11.5% below the benchmark return. Insight's portfolio has affected by the downturn in equity markets.
- 7.4 Over the last three years, Insight have returned minus 3.6%, equivalent to a return of minus 1.2% per annum.

8. Financial Implications

- 8.1 The long term investments and their performance are important to the Trust and the achievements of its outcomes and objectives.
- 8.2 The Trust undertook an External Investment Review during 2021 and the recommendations of this review were approved at the Trust meeting held on 16 September 2021 (CT2109021). No changes were made to the Investment Plan 2020–25
- 8.3 The Investment Plan for the Trust is overseen by the Investment Advisory Committee (IAC), who meet regularly and report to the Board of Trustees. It is recognised that the actual investment performance each year will be different to what is expected. The IAC monitor the medium to long term performance against the Trust's objectives.

9. Recommendations

- 9.1 Trustees are asked to note this report.

REPORT

To: Shetland Charitable Trust

Date: 9 February 2023

From: Chief Executive

Report: CT2302003

Management Accounts – Nine Months to 31 December 2022

1 Introduction

1.1 The purpose of this report is to present Shetland Charitable Trust's (the Trust) Management Accounts for the nine months ended 31 December 2022, for noting. These Management Accounts deal with all income and expenditure of the Trust.

2 Management Accounts

2.1 Table 1 below shows the Summary Budget for the Trust for 2022/23 and the results in the nine months to 31 December 2022.

Table 1: Summary Management Accounts 2022/23

Item	Annual Budget £m	Actual to Dec 2022 £m
Income	2.5	2.2
Disbursements	(16.4)	(8.3)
Management and Administration	(0.7)	(0.4)
Fund Managers Fees	(1.7)	(1.1)
Gain / (Loss) on Investments	27.7	(74.8)
Total	11.4	(82.3)

2.2 A more detailed analysis of the figures above is set out in Appendix A.

2.3 In the nine months ended 31 December 2022 the Trust made a loss on its investments of £74.8 million.

3 Financial Implications

3.1 No direct financial implications flow from this information report.

4 Recommendations

4.1 Trustees are asked to note the Trust's financial performance in the nine months ended 31 December 2022 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2302003



Shetland Charitable Trust

Management Accounts

9 Months Ended 31 December 2022

Shetland Charitable Trust
Income and Expenditure
Period to 31 December 2022

	9 Month Actual £	Annual Budget £	Variance £
<u>Income</u>			
Managed fund dividends	10,977	-	10,977
Managed fund interest	1,866,071	2,000,000 *	(133,929)
Agricultural loan interest	-	-	-
Local equity gift aid	-	-	-
Rental income	360,095	500,000	(139,905)
Bank interest	-	-	-
Miscellaneous income	-	-	-
	<u>2,237,143</u>	<u>2,500,000</u>	<u>(262,857)</u>
<u>Expenditure</u>			
Disbursements	(8,308,027)	(16,400,000)	8,091,973
Management and administration	(429,594)	(680,000)	250,406
Fund managers	(1,060,523)	(1,740,000)	679,477
	<u>(9,798,144)</u>	<u>(18,820,000)</u>	<u>9,021,856</u>
Gain on investments	(74,785,948)	27,700,000	(102,485,948)
Surplus/(Deficit)	<u>(82,346,949)</u>	<u>11,380,000</u>	<u>(93,726,949)</u>

* Managed Fund Interest is not cash funds received by the Trust. It represents income that the fund managers receive (mainly property rental), that for Accounting purposes the Trust is required to show as income. These funds are reinvested by the fund managers.

Shetland Charitable Trust
Balance Sheet
Period to 31 December 2022

	Dec-22	
	£	£
Tangible fixed assets		23,000
Investments		<u>367,893,672</u>
		367,916,672
Trade debtors	41	
Prepayments and Accrued income	146,098	
Other debtors	775,813	
Bank	<u>1,146,367</u>	
	2,068,319	
Trade creditors	67,434	
Accruals and deferred income	920,462	
Other creditors	<u>(782)</u>	
	987,114	
Net current assets		<u>1,081,205</u>
		368,997,877
Pension liability		(1,895,000)
		<u>367,102,877</u>
Opening reserves		449,449,826
Surplus for period		<u>(82,346,949)</u>
Closing reserves		<u>367,102,877</u>

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Shetland Charitable Trust
Rental Income
Period to 31 December 2022

	<u>9 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	359,595	499,500	(139,905)
Shetland Golf Course	500	500	-
	<u>360,095</u>	<u>500,000</u>	<u>(139,905)</u>

**Shetland Charitable Trust
Disbursements
Period to 31 December 2022**

	9 Month Actual £	Annual Budget £	Variance £
<u>Main Grant Scheme</u>			
Ability Shetland	33,170	40,000	(6,830)
British Red Cross	23,900	23,900	-
Clan Cancer Support	20,100	20,100	-
COPE Limited	230,600	230,600	-
Dogs Against Drugs	20,500	20,500	-
Gaada	43,900	43,900	-
Mind Your Head	38,450	76,900	(38,450)
Moving On	35,900	35,900	-
NSPCC Scotland	4,000	4,000	-
OPEN Project	31,300	31,300	-
Relationships Scotland - Shetland	-	30,600	(30,600)
Royal Voluntary Service	64,100	64,100	-
Sandwick Social and Economic Development SCIO	15,600	15,600	-
Shetland Amenity Trust	600,450	1,200,900	(600,450)
Shetland Arts Development Agency	682,500	682,500	-
Shetland Befriending Scheme - 16+	10,162	13,000	(2,838)
Shetland Befriending Scheme - CYP	44,671	54,000	(9,329)
Shetland Care Attendants Schme	75,700	75,700	-
Shetland Community Connections	15,000	15,000	-
Shetland Islands Citizen Advice Bureau	272,300	272,300	-
Shetland Islands Council Rural Care Model	1,986,200	1,986,200	-
Shetland Link Up	56,700	56,700	-
Shetland Rape Crisis	33,000	33,000	-
Shetland Recreational Trust	3,225,900	3,225,900	-
Shetland Women's Aid	100,000	100,000	-
The Swan Trust	28,300	28,300	-
Voluntary Action Shetland - Core	88,600	88,600	-
Voluntary Action Shetland - Market House	95,400	95,400	-
Who Cares? Scotland	35,100	35,100	-
Sub Total Main Grant Scheme	7,911,503	8,600,000	(688,497)
<u>Small Grant Scheme</u>	46,524	100,000	(53,476)
<u>Main Grant Scheme Contingency</u>	-	-	-
<u>Capital Grant Scheme</u>	350,000	7,700,000	(7,350,000)
Surplus Grants Refunded	-	-	-
Total	8,308,027	16,400,000	(8,091,973)

Shetland Charitable Trust
Management and Administration Expenditure
Period to 31 December 2022

	9 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	250,536	344,700	(94,164)
Professional Membership Fees	192	500	(308)
Staff recruitment	1,307	1,500	(193)
Travel and Subsistence	1,834	6,000	(4,166)
Training and Staff Development	636	8,800	(8,164)
Sub Total Staffing Costs	254,504	361,500	(106,996)
Operating Costs			
Insurance	15,784	14,000	1,784
Administration	3,242	5,600	(2,358)
Supplies and Services	4,546	6,400	(1,854)
Bank Charges	178	400	(222)
Professional Fees	3,749	20,000	(16,251)
External Audit Fees	21,511	20,000	1,511
Financial advice	-	30,000	(30,000)
Trustees Expenses	14	1,500	(1,486)
Meeting expenses	692	2,000	(1,308)
Legal Fees	14,552	50,000	(35,448)
Trustee Recruitment Costs	681	2,500	(1,819)
Sub Total Operating Costs	64,949	152,400	(87,451)
Property Costs			
Energy Costs	1,896	9,000	(7,104)
Water Rates	669	1,500	(831)
Building Maintenance	24,680	51,000	(26,320)
Cleaning	1,088	2,000	(912)
Sub Total Property Costs	28,331	63,500	(35,169)
Bad debt write off	-	-	-
Reduction in Bad Debt Provision	-	-	-
Bought In Services			
Treasury	19,800	20,000	(200)
Payroll	-	650	(650)
Building Maintenance	47,375	47,000	375
Committee Services	-	7,200	(7,200)
Computer Services	9,360	10,000	(640)
Messenger Service	-	-	-
Peninsula	1,675	2,750	(1,075)
Public Relations	3,600	15,000	(11,400)
Sub Total Bought In Services	81,810	102,600	(20,790)
Total	429,594	680,000	(250,406)

Shetland Charitable Trust
Investment expenses
Period to 31 December 2022

	<u>9 Month</u> Actual £	<u>Annual</u> Budget £	<u>Variance</u> £
Management Expenses	131,498	-	131,498
Northern trust fees	36,725	49,000	(12,275)
Insight investment fees	164,273	234,000	(69,727)
Schroders fees	124,646	187,000	(62,355)
Baillie Gifford fees	603,381	1,270,000	(666,619)
	<u>1,060,523</u>	<u>1,740,000</u>	<u>(679,477)</u>

REPORT

To: Shetland Charitable Trust

Date: 9 February 2023

From: Chief Executive

Report: CT2302004

Capital Works Bridging Loan Scheme

1. Introduction

- 1.1 The purpose of this report is to provide Trustees with an update of the Capital Works Bridging Loan Scheme.

2. Background

- 2.1 On 18 March 2010, Trustees agreed to provide short term bridging finance to community organisations undertaking capital projects. The interest free loans are used to alleviate cash flow problems when waiting for funding from EU, Scottish Government, SRDP, LEADER, ERDF and/or lottery grants to be received. (Min. Ref. CT15/10)
- 2.2 Funding for capital projects is often only released once work has been completed and invoices paid. This can create insurmountable cash flow burdens for some organisations.
- 2.3 A total of £1 million was set as the maximum available at any one time.
- 2.4 At the Trust meeting on 27 February 2020 it was noted that in future, only the projects relating to the current financial year would be reported on rather than including all the historical information.
- 2.5 At the Trust Meeting on 25 November 2021, Trustees agreed to increase the maximum loan capital available at any one time under the Scheme to £1.5 million (CT2111026).

3. Present Position

- 3.1 As at 1 April 2022, there were seven loans outstanding.
- 3.2 In the period 1 April 2022 to 31 December 2022, three organisations fully repaid their loan.

- 3.3 Appendix A lists the outstanding loans as at 31 December 2022.
- 3.4 Covid-19 had an impact on some of these projects and their timeline for repayment. Organisations are also now experiencing delays as a result of difficulty securing contractors and materials. The Trust is in contact with all organisations to receive updates on repayments.
- 3.5 Application for funding of £160,000.00 was approved in September 2022 for Papa Stour History and Community Group for the purpose of making the Papa Stour Kirk wind and watertight. Drawdown date is still to be confirmed due to delays in the commencement of the work although is anticipated to start in February 2023.
- 3.6 Application for funding of £100,905 was approved and paid in November 2022 to the Community Development Company of Nesting for the purpose of expansion of the Nesting Scrapstore through construction of a new car park and creating an access route between existing and new car parks and extending the existing Scrapstore using a portable cabin.
- 3.7 Application for funding of £39,246 was approved and paid in November 2022 to the Whalsay Sports Development Trust for the purpose of upgrading the floodlighting at Harbison Park to modern energy efficient LED lights.
- 3.8 Application for funding of £26,412 was approved and paid in December 2022 to Sandwick Carnegie Hall for the purpose of the upgrade of all stage facilities at Sandwick Carnegie Hall.
- 3.9 Application for funding of £9,000 was approved and paid in December 2022 to Tingwall Agricultural Museum & Heritage Centre for the purpose of updating the feasibility study and designs for the proposed Tingwall Agricultural Museum & Heritage Centre.
- 3.10 Application for funding of circa £500,000 is expected in spring 2023 from Fair Isle Bird Observatory Trust for the purpose of rebuilding the Fair Isle Bird Observatory.

4. Financial Implications

- 4.1 There are no new financial implications arising from this report. However, it should be noted that the provision of interest free loans means that the capital involved is not generating investment returns.

5. Conclusion

5.1 Four loans brought forward at 1 April 2022 remain active, with five new applications for a bridging loan received this financial year.

6. Recommendation

6.1 Trustees are asked to note this report.

Reference: D19

Report Number: CT2302004

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid to 31/03/22 £	Due to SCT at 01/04/22 £	Repaid £ 2022/23	Due to SCT at 31/12/22 £	Notes
Loans approved 2019/20								
Hillswick Wildlife Sanctuary	428,100	366,000	366,000	-	86,790		86,790	Extension requested
Community Development Company of Nesting	211,377	175,985	175,985	125,985	25,000	25,000	-	Repaid August 2022
Loans approved 2021/22								
South Nesting Boating Club (SCIO)	66,000	53,460	53,460	-	53,460	-	53,460	Extension requested - Repayment expected December 2023
Legion Scotland Lerwick Branch	110,082	60,000	60,000	-	60,000	-	60,000	Extension requested - Repayment expected January 2023
Scalloway Community Development Company	669,755	400,000	400,000	-	400,000	-	400,000	Extension requested - Repayment expected March 2023
North Yell Development Company	554,265	350,000	350,000	-	350,000	350,000.00	-	Repaid June 2022
Uyeasound Waterfront Trust	38,837	29,927	29,927	-	29,927	29,927	-	Repaid April 2022
Loans approved 2022/23								
Papa Stour History & Community Group	452,379	160,000	-	-	-	-	-	Drawdown date expected to be February 2023
Community Development Company of Nesting	112,117	100,905	100,905	-	-	-	100,905	Repayment expected May 2023
Whalsay Sports Development Trust	44,106	39,246	39,246	-	-	-	39,246	Repayment expected February 2023
Sandwick Carnegie Hall	39,103	26,412	26,412	-	-	-	26,412	Repayment expected April 2023
Tingwall Agricultural Museum & Heritage	13,800	9,000	9,000	-	-	-	9,000	Repayment expected February 2023
TOTAL	2,739,921	1,770,935	1,610,935	125,985	1,005,177	404,927	775,813	