

Chief Executive: Dr Ann Black

22-24 North Road
Lerwick
Shetland
ZE1 0NQ

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

Our Ref: TA48

Date: 6 September 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 14 September 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 meetings held on (i) 8 June 2023, and (ii) 8 August 2023 (*enclosed*).

For Decision

1. Shetland Charitable Trust Annual Report and Accounts for the year to 31 March 2023. *Report enclosed.*

For Information

2. Investment Performance Update – Three Months to 30 June 2023. *Report enclosed.*
3. Management Accounts – Three Months to 30 June 2023. *Report enclosed.*
4. Capital Works Bridging Loan Scheme. *Report enclosed.*

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

For Information

5. Service Performance of Funded Organisations – Year Ending 31 March 2023. *Report enclosed.*
6. Update from Chairs of Advisory Committees.
7. Update from Subsidiary Companies.

REPORT

To: Shetland Charitable Trust

14 September 2023

From: Chief Executive

Report: CT2309022

Shetland Charitable Trust Annual Report and Accounts for the year to 31 March 2023

1. Introduction

- 1.1 The purpose of this report is to present the Annual Report and Accounts for the year to 31 March 2023 for approval. These are attached as Appendix A.

2. Commentary

- 2.1 Shetland Charitable Trust (the Trust) has seen a decrease in funds of £56.2 million this financial year. The Trust's net asset position now stands at £393.3 million (2022: £449.5 million).
- 2.2 Total incoming resources were £3.5 million (2022: £3.6 million) and total resources expended were £13.1 million (2022: £11.3 million). The difference in resources expended and incoming resources is met from the Trust's reserves in line with the Trust's Financial Plan 2020 – 2025.
- 2.3 Total charitable expenditure for the year was £11.7 million (2022: £9.5 million). The additional expenditure was due to an increase in disbursements, including contingency funding and capital grant scheme awards, in line with the Trust's Strategy and Disbursement plan. Further information on charitable activities is provided in the Annual Report.
- 2.4 The value of Trust funds invested on global markets decreased this year. There was a decrease of £48.3 million (2022: £0.4 million). Inflationary pressures and geo-political tensions affected the returns on investments in 2022/23. Investment management costs for the year were £1,411,000 (2022: £1,723,000). The decrease in cost reflects the market conditions and diminution in value of investments.
- 2.5 The value of programme related investments (the Trust's local investments) reduced to £12.3 million. The small reduction (£14,217) is due to shared costs incurred by investments. There has been no investment or disposal during financial year.

- 2.6 RSM UK Audit LLP (RSM) have provided a report, shown in Appendix B, which summarises the work of the auditors. RSM presented this report to the Audit and Governance Advisory Committee on Thursday 31 August 2023.
- 2.7 The letter of representation from Trustees to RSM, required to complete the audit, is attached as Appendix C.

3. Financial Implications

- 3.1 The Trust's net movement in funds (movement in reserves) for the year was a £56.2 million outflow (2022: £7.3 million outflow). The Trust continues to maintain a strong cash balance and has net assets (reserves) at 31 March 2023 of £393.3 million (2022: £449.4 million).

4. Recommendations

- 4.1 Trustees are asked to:-
- a) approve the Annual Report and Accounts for the year to 31 March 2023 attached as Appendix A;
 - b) authorise the Chair and the Chair of Audit & Governance Advisory Committee to sign the accounts;
 - c) authorise the Chair to sign the Letter of Representation reproduced as Appendix C, and
 - d) note the summary report from RSM UK Audit LLP, the Trust's auditors, attached as Appendix B.

Reference: TA2

Report Number: CT2309022

Shetland Charitable Trust

**Trustees' report and consolidated
financial statements**

Charity number SC027025

For the year ended 31 March 2023

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Chair's Introduction

The last year has seen much change with a renewing and regeneration of the Trust with six trustees completing their term of office. I would like to express the thanks of all trustees for ensuring the ongoing health of the Trust to Andrew Cooper, Ian Napier, Ken Harrison and Jolene Garriock. Their contribution and insights have supported the trust through the last four years and the Covid-19 pandemic. I would also wish to express my thanks to the outgoing chair Andrew Cooper for leaving the trust in the good position we find it today.

There has been seven new high calibre trustees appointed to the trust Ewen Adamson, Aaron Ferguson, Susan Gray, Ryan Stevenson, Beth Mouat, Neil Risk and Jim Nicolson. Ryan Stevenson has been appointed Vice Chair and has also taken on the role of GPAC chair with Ryan Leith continuing as the chair of Audit and Governance and myself continuing as chair of the Investment Committee.

We have now emerged from the various constraints of the COVID -19 pandemic with the long term effects on the organisations we fund becoming clearer. The COVID contingency funding was put in place by the trust to support those organisations dependent on trading income to help minimise the pandemic impacts. These have not been as severe as feared with only £0.85M of the total support of £1.3M being required.

The Capital Works Bridging Loan scheme continues to be a success with trustees approving an increase in value to £1.5 million from £1 million recognising the level and value of the project pipeline coming to Shetland. In many ways this scheme is an unsung success as it has supported external funds secured into Shetland for good projects.

The Main Grant Scheme has disbursed £8.6 million to more organisations (28 awardees) than formerly, with a number of these grants being multi year.

The small grants scheme continues to be open for new applications with total disbursements of £51K having been made.

The health of our investments has dropped from their peak during the pandemic but remain at the upper end of the current strategy projections. Importantly this ensures that the trust can continue to commit to the level of disbursements in the strategy. Inflation is still a concern together with the current relatively flat performance of global markets.

The Capital Grant Scheme to support the large funded bodies with essential repair and maintenance work, with a budget of £12 million, is still in place with progress on uptake being slower than predicted. A total of £1.7M has been utilised to date.

The staff complement has changed with Glenn Gilfillan and Sonja Flaws joining as Finance Manager and administrative support assistant.

Trust staff continue to perform an excellent job supporting the work of the Trust and trustees in a highly professional and effective manner whilst also providing support to the many funded organisations both current and future. Trust business and meetings have embraced the hybrid style with the technology continually improving to enable trustees and staff to come together no matter the geography. A truly effective team.

R M Leask
Chair

14 September 2023

Trustees' Report

Section 1: Reference and Administrative Details

Name Shetland Charitable Trust

Scottish Charity Number SC027025

Address 22-24 North Road, Lerwick, Shetland, ZE1 0NQ

Trustees

R M Leask, Chair (App. Chair 8 June 2023; Vice Chair between 2 June 2022 and 8 June 2023)	K Harrison (Resigned 31 May 2023)
A B Cooper, Chair (Resigned 31 May 2023)	Y C Hopkins
M I Roberts, Vice Chair (Vice Chair until 2 June 2022)	R C Leith
R J Stevenson, Vice Chair (App. 14 June 2022, Appointed Vice Chair 8 June 2023)	E Miller
E J Adamson (App. 14 June 2022)	B Mouat (App. 1 June 2023)
A P Ferguson (App. 14 June 2022)	I R Napier (Resigned 31 May 2023)
S M Gray (App. 14 June 2022)	J Nicolson (App. 8 August 2023)
J M A Garriock (Resigned 13 June 2022)	A J Ockendon (Resigned 13 June 2022)
	R N Risk (App. 8 August 2023)

Chief Executive Dr Ann Black

Bankers Bank of Scotland
117 Commercial Street
Lerwick
ZE1 0DL

Auditor RSM UK Audit LLP
St Olaf's Hall, Church Road
Lerwick, Shetland
ZE1 0FD

Solicitors -

Governance and Charity Law

Turcan Connell
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9EE

Commercial

Dentons
Quatermile One
15 Lauriston Place
Edinburgh
EH3 9EP

Investment Managers Insight Investment Management (Global) Limited
160 Queen Victoria Street,
London,
EC4V 4LA

BlackRock Global Investors Limited
Drapers Gardens
12 Throgmorton Avenue
London
EC2N 2DL

Schroders Property Managers
1 London Wall Place
London
EC2Y 5AU

Trustees' Report *(continued)*

Section 1: Reference and Administrative Details *(continued)*

Investment Managers	Baillie Gifford & Co Calton Square 1 Greenside Row Edinburgh EH1 3AN
Custodian	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT
Investment Monitor	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT

Section 2: Structure, Governance and Management

Governing Document

The current Shetland Charitable Trust (the Trust) was established by a Deed of Trust registered in the Books of Council and Session on 27 September 2012 and updated in 2017, and again in 2019.

The Trust Deed and its schedules:

- appoint Trustees;
- state the charitable purposes of the Trust; and
- set out the powers of the Trustees.

Charitable Status

The Trust appears in the Scottish Charity Register, number SC027025, maintained by the Office of the Scottish Charity Regulator (OSCR). In addition, any tax relief received by the Trust is overseen by HM Revenue and Customs (HMRC). The Trust has to demonstrate to these regulators, that its activities remain charitable and generate public benefit.

Board of Trustees

The Trust has up to twelve appointed Trustees.

Trustee vacancies are advertised and individuals are recruited through an open and transparent process. A Selection Panel, whose work is overseen by the Audit and Governance Advisory Committee, undertakes this process. The Panel's recommendations are then presented to the full Board of Trustees (the Board) for approval.

New Trustees receive a comprehensive induction, and thereafter training is provided as appropriate. From time to time, Trustees receive reports on their roles and responsibilities, in line with guidance from OSCR.

The Board meets at least four times each year to set and oversee the delivery of the Trust's strategy. A list of the Trustees are detailed on page 2 of this report.

A number of advisory committees support the work of the Trust throughout the year. They oversee the work of the Trust and make recommendations to the Board.

Trustees' Report *(continued)*

Section 2: Structure, Governance and Management *(continued)*

Audit and Governance Advisory Committee

The Audit and Governance Advisory Committee oversees the systems of internal controls on financial and governance matters, recruitment of Trustees and risk management. It also reviews the draft annual financial statements and considers reports from the Trust's external auditors.

General Purposes Advisory Committee

The General Purposes Advisory Committee oversees the Trust's Strategic and Disbursement Plans. It monitors the service performance of organisations that the Trust provides grant assistance to. It also considers the Trust's public relations and media activities.

Investment Advisory Committee

The Investment Advisory Committee oversees the Trust's Investment Plan and its implementation. It also monitors the performance of external and local investments.

Management and Administration

The Trust is managed and administered by a team of four directly employed staff. The Chief Executive's role is to ensure that the charitable activities carried out by the Trust are in furtherance of its purposes, represent value for money and complement the needs and aspirations of the community. This must all be in accordance with the Trust Deed and the law.

The Chief Executive is also responsible for the effective management of the Trust's investments. This includes ensuring that charitable status is retained and putting in place effective investment policies. Some specialist services are purchased from other providers, under various service level agreements.

The Trust's procedures are governed by a set of Administrative Regulations. This public document is available through the Trust's website, www.shetlandcharitabletrust.co.uk.

Minutes

The public minutes of all meetings of the Board, together with the relevant reports, are available electronically through the Trust's website.

Subsidiary Companies

The Trust has three wholly owned subsidiary companies. The following are the directors of the companies:

Shetland Heat Energy and Power Limited (SHEAP) SC181964	Wendy Grant Neil Fraser Derek Leask William Spence Colin Clark
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C.T. Shetland (T.M.) Limited is a dormant company whose present purpose is to register and own certification trademarks, for example knitwear trademarks.

C. T. Shetland (T.M.) Limited SC072648	J M A Garriock (resigned 13 June 2022) M I Roberts (appointed 14 June 2022)
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SCT Renewables Limited has a 90% interest in Viking Energy Shetland LLP 'the Shetland Partner' in the Viking Energy Partnership.

SCT Renewables Limited SC256581	I R Napier (resigned 31 May 2023) R J Stevenson (appointed 1 June 2023)
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Trustees' Report *(continued)*

Section 2: Structure, Governance and Management *(continued)*

Risk Management

The Board is responsible for the risks faced by the Trust.

The Trust has a risk management process designed to identify the major risks that could impact on the aims of the Trust's Strategic Plan. This process identifies the major risks the Trust faces, the likelihood of occurrence, the significance of the risk, and any mitigating controls that are in place. It also seeks to identify any actions and resources required to manage these risks further.

The Audit & Governance Advisory Committee has overall responsibility for the management of the risk assessment process. Each of the Advisory Committees ensures the risks associated with their terms of reference are reviewed regularly to identify the steps required to mitigate these risks. All recommendations from the Advisory Committees are reported annually to the Board for consideration and approval.

Trustees approved the risk assessment for 2022/23 on 9 February 2023. The five strategic key risks are:

No.	Risk	Current Risk Level	Lead Committee
1	Governance	Amber	Audit & Governance Advisory Committee
2	Reputational	Amber	General Purposes Advisory Committee
3	Investment	Amber	Investment Advisory Committee
4	Disbursement	Green	General Purposes Advisory Committee
5	Strategic Direction	Amber	General Purposes Advisory Committee

Disclosure of information to auditor

The Trustees who held office at the date of approval of this Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the Trust's auditor is unaware; and each Trustee has taken all steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant audit information and to establish that the Trust's auditor is aware of that information.

Section 3: Objectives and Activities

The purpose of the Trust is to use its available funds to benefit and improve the quality of life of all people living in Shetland, and to preserve the Trust reserves for future generations.

In 2019, the Trust launched its Strategy 2020-25. The Strategy set out the Trust's aims and objectives for the next five years.

Ambition

Over the period 2020-2025, the Trust will seek to use its funding:

- To improve the quality of life for all the people of Shetland;
- To achieve a positive impact against the Trust Strategic Objectives through its disbursement decisions;
- To promote inclusion and reduce inequalities in Shetland;
- To demonstrate the impact and outcomes of Trust funding.

The Trust will continue to improve the quality of life for the people of Shetland. The Trust will target its funding where impact, positive change and outcomes, can be demonstrated and shown to be delivered.

Trustees' Report (*continued*)

Section 3: Objectives and Activities (*continued*)

Objectives

The strategic objectives of the Trust 2020-2025 are:

- To enhance provision of services and activities, aligned to the Trust's ambition, and beyond the obligation of statutory services;
- To support the services and activities provided by the three large Trusts in Shetland;
- To support voluntary sector services in Shetland;
- To support, if appropriate, the core revenue costs of organisations where there is difficulty in sourcing alternative external funding to maintain or enhance the services provided.

The ambition to promote inclusion and reduce inequalities in Shetland will be a central theme for the Trust over 2020-2025, across all its funding commitments.

Operational Plans

The Strategy has informed the development of the operational plans for 2020-25. These are the Financial Plan, the Disbursement Plan and the Investment Plan covering the period 2020-25. Details of these plans are available on the Trust website.

Financial Objectives

Trustees have agreed to continue with the long-term financial strategy of preserving the value of reserves against inflation, and therefore limits annual expenditure to the average growth on the investments above inflation.

In 2019, Trustees approved a new Financial Plan to run from 1 April 2020 to 31 March 2025. The Financial Plan uses the average investment growth above inflation on the Trust's reserves to support annual expenditure. This enables the reserves preserved against inflation to be passed to future generations, aligned to the purpose of the Trust. Annual expenditure is dependent on the assumed rate of return on the Trust investments for the Strategy period, whilst also ensuring that the Trust fund is protected against adverse investment returns over the period.

For the Strategy period 2020-2025 a rate of return on the Trust investments above inflation of 3.5% per annum is assumed. A maximum budget of £17.9 million has been set for the year to 31 March 2024 in line with the Financial Plan.

Budgets and Disbursements

Each year the Board adopt a budget for the incoming financial year. Details of the budget approved by Trustees are given in column one of the tables on pages 8 and 9, with details of the actual spend in column two, and a comparison with the previous year in column three.

In 2019, Trustees approved a new Disbursement Plan to run from 1 April 2020 to 31 March 2025. Over the Trust's Strategy period 2020-2025, it is the intention of the Board that the funds are able to support applications, which align to the purpose and strategic objectives of the Trust. The Trust will operate a Main Grant Scheme for larger organisations and a Small Grant Scheme for smaller organisations and individuals. The Trust also introduced a time limited Capital Grant Scheme which will operate from 2022 to 2025. This Scheme has a maximum budget allocation of £12.0 million over the three years.

Section 4: Achievements and Performance

During the year to 31 March 2023, the Trust provided grant assistance to the following organisations towards the cost of providing a range of social, leisure, cultural, heritage and environmental activities:

- **Shetland Recreational Trust** - The grant assists with the cost of providing leisure and sports facilities at locations throughout Shetland.
- **Shetland Amenity Trust** - The grant provides core and project funding to support Shetland's Heritage and Culture.

Trustees' Report *(continued)*

Section 4: Achievements and Performance *(continued)*

- **Shetland Arts Development Agency** - The grant goes towards meeting some of the core and project costs of promoting, developing and delivering activities in the fields of dance, drama, theatre, film, literature, music, crafts and visual arts.
- **Rural Care Model** - The funding is used to add value to the community care provided in Shetland, to a level of service over and above that which would normally be provided by a local authority.
- **Ability Shetland** - The grant provides project funding to support a new post of Disability Sports Development Coordinator, with the aim of growing participation in physical activity and sport for people with disabilities.
- **Shetland Befriending Scheme CYP** - The scheme provides young people with an opportunity to form a trusting relationship with an adult, to promote the young person's welfare and personal development.
- **Shetland Islands Citizens Advice Bureau** - The grant provides core funding towards delivering a general information and advice service and the provision of a new service targeting those hardest to reach.
- **COPE Ltd** - The grant contributes to the core costs of the organisation to allow the organisation to provide focused placements, training, support and employment opportunities to adults with learning and/or physical disabilities.
- **Shetland Link Up** - The grant funds the core costs of the organisation enabling it to provide an informal meeting place to support people who are affected by mental health problems.
- **Voluntary Action Shetland** - The grant contributes to the core costs of providing a central point for advice and information to the voluntary sector in Shetland and the operation and maintenance of Market House.
- **Royal Voluntary Service** - The grant funds much of the core costs of providing a range of community projects for elderly and disabled people in Shetland.
- **The Swan Trust** - The grant provides core funding to support the costs associated with maintaining, operating and promoting the Swan sailing vessel.
- **Gaada** - The grant provides core funding to support their wide range of activities in community art with an emphasis on art for individuals with disabilities.
- **Shetland Women's Aid** - The grant provides core funding towards services to advance and continue to work towards ending domestic abuse and other Gender Based Violence in our community.
- **Shetland Rape Crisis** - The grant provides core funding towards services to relieve the distress and promote the welfare of anyone affected by any form of sexual violence or exploitation.
- **OPEN Project** – The grant provides core funding to support their services. They deliver four main activities - Peer Education, Peer Mentoring, Emotional Wellbeing and Resilience Project and OPEN Up (a drop in youth café). Working with young people aged 16 to 25 who are among the most vulnerable and hard to reach.
- **British Red Cross** - The grant provides core funding towards a Shetland Community Support Service.
- **Clan Cancer Support** – The grant provides core funding towards a dedicated Children and Families Service in Shetland.
- **Shetland Care Attendant Scheme** - The grant provides core funding towards services to relieve the stress on the person or family caring for physically or mentally disabled or elderly persons.
- **Voluntary Action Shetland Carers Service** - The grant provides core funding towards services to relieve the stress on the person or family caring for physically or mentally disabled or elderly persons.
- **Shetland Community Connections** – The grant provides funding towards additional capacity for their work in self-directed support for those transitioning from childhood to adulthood.
- **Shetland Befriending Scheme 16+** - The grant contributes to the core costs of providing a Befriending Service for those aged 16 and over.
- **Mind Your Head** - The grant provides core funding towards services to relieve those in need by reason of mental ill-health.
- **Dogs Against Drugs** - The grant provides core funding to support their Drugs Education Programme delivered in schools to raise awareness of drugs misuse.

Trustees' Report *(continued)*

Section 4: Achievements and Performance *(continued)*

- **Sandwich Social & Economic Development SCIO** – The grant provides funding to support delivering one hot meal per week for local community to those who are vulnerable and those who would benefit from service due to physical or mental frailties.
- **Who Cares? Scotland** - The grant provides funding to support children, young people and young adults who have experienced the care system.
- **Relationships Scotland** – The grant provides funding towards a Family Connections Project. This project will establish a child contact service to support children to maintain relationships with the parent they no longer live with, or with other extended family members with whom they no longer have contact.
- **NSPCC Scotland** - The grant provides funding towards an educational schools programme "Speak out Stay safe", teaching primary school children about abuse and neglect, and who they can get support from when something is wrong, including Childline.

The Trust allows organisations that it funds to hold up to 3 months grant, as reserves, for unforeseen items and to help with cash flow. The Trust has worked with the organisations funded to develop a system of service performance reporting. Trustees considered a progress report on service performance in October 2022, which set out, in detail, how the Trust's money makes a difference to people and communities. Overall, Trustees were content that most organisations were performing satisfactorily against their stated targets.

The Trust also operates a Capital Works Bridging Loan Scheme, which provides short-term bridging finance to community organisations undertaking capital projects. The scheme was established in 2010 to provide interest free loans to organisations that had secured funding from the EU, National Government sources or large charitable funders, but were only able to claim their grants on completion of the capital works. The scheme helps avoid any potential cash flow problems and allows community projects to go ahead.

Charitable Expenditure

	2022/23 budget £	Actual spend to 31 March 2023 £	Actual spend to 31 March 2022 £
<u>Main Grant Scheme Awards</u>			
Shetland Recreational Trust	3,225,900	3,225,900	3,147,200
Support to Rural Care Model	1,986,200	1,986,200	1,986,200
Shetland Amenity Trust	1,200,900	1,200,900	1,171,600
Shetland Arts Development Agency	682,500	682,500	650,000
Shetland Islands Citizens Advice Bureau	272,300	272,300	209,400
COPE Ltd	230,600	230,600	225,000
Voluntary Action Shetland (VAS)	184,000	184,000	179,400
Shetland Women's Aid	100,000	100,000	100,000
Mind Your Head	76,900	76,900	75,000
Shetland Care Attendant Scheme	75,700	75,700	74,300
Royal Voluntary Service	64,100	64,100	62,600
Shetland Link Up	56,700	56,700	55,700
Shetland Befriending Scheme CYP	54,000	54,000	53,000
Gaada	43,900	43,900	50,000
Ability Shetland	40,000	40,000	40,000
Moving On	35,900	35,900	35,000
Who Cares? Scotland	35,100	35,100	-
Shetland Rape Crisis	33,000	33,000	32,200
OPEN Project	31,300	31,300	31,200
Relationship Scotland - Shetland	30,600	-	14,900
The Swan Trust	28,300	28,300	28,300
British Red Cross	23,900	23,900	24,800
Dogs Against Drugs	20,500	20,500	20,000
Clan Cancer Support	20,100	20,100	-
Sandwich Social & Economic Dev. SCIO	15,600	15,600	-

Shetland Charitable Trust
Trustees' report and consolidated financial statements
For the year ended 31 March 2023

Shetland Community Connections	15,000	15,000	-
Shetland Befriending Scheme 16+	13,000	13,000	12,700
NSPCC Scotland	4,000	4,000	4,000
Alzheimer Scotland	-	-	22,900

Sub Total Organisations	8,600,000	8,569,400	8,305,400
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	2022/23 budget	Actual spend to 31 March 2023	Actual spend to 31 March 2022
	£	£	£
<u>Capital Grant Scheme</u>			
Capital Grant Scheme	7,700,000		-
Shetland Amenity Trust	-	825,000	
Shetland Arts Development Agency	-	770,770	
Shetland Recreational Trust	-	272,659	
Voluntary Action Shetland	-	192,140	

Sub Total Capital Grant Fund	7,700,000	2,060,569	-
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	2022/23 budget	Actual spend to 31 March 2023	Actual spend to 31 March 2022
	£	£	£
<u>Contingency Fund</u>			
COPE Limited	-	-	-
Shetland Amenity Trust	-	-	-
Shetland Arts Development Agency	-	209,826	125,000
Shetland Recreational Trust	-	458,825	489,518
Sub Total Contingency Fund	-	668,651	614,518

	2022/23 budget	Actual spend to 31 March 2023	Actual spend to 31 March 2022
	£	£	£
<u>Schemes</u>			
Small Grant Scheme	100,000	51,024	51,819
Sub Total Schemes	100,000	51,024	51,819

Surplus Grants Refunded	-	(358,788)	(99,480)
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Sub-total charitable expenditure	16,400,000	10,990,856	8,872,257
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Trust Administration, including governance costs	680,000	585,902	476,346
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Total	17,080,000	11,576,758	9,348,603
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Total charitable expenditure and administration costs are shown before adjustment for pension adjustments under FRS 102 totalling £99,000.

Trustees' Report *(continued)*

Section 5: Financial Review

Financial Policies

The policy of the Board 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. The current value (as at 31 March 2023) of the Trust's reserves that are invested to generate income (i.e. not the 'Donated Properties') is around £377 million (2022 - £435 million).

The Trust relies chiefly on funds generated by investments on the world's markets. Overall, there was a diminution in value of investments with zero returns generated during the fiscal year. In 2022/23, around £0.5 million income was derived from investments in Shetland.

The Trust Deed does not require the Trust to distinguish between revenue and capital (income or expenditure), and all of the Trust's funds are unrestricted. These two things together mean that although the general funds and pension reserve are shown as being in deficit in the financial statements, there are no practical consequences flowing from this.

The Trust seek to minimise risk through diversification within its investments and take advice, as appropriate, in determining the mix of asset types. Trustees are free to determine how to apply their Unrestricted Reserves in a manner consistent with the Trust objectives and in line with its Financial Plan.

Review of Spending

During 2022/23 the Trust spent £13.1 million (2022- £11.3 million) on grant making, support costs and expenditure on raising funds, in line with the approved budget for the year. Grant making expenditure for the year was £11.0 million (2022 - £8.9 million). The agreed budget to support grant applications for 2023/24 is £17.9 million.

Investment Review

The Trust's capital is invested by the Board externally with four fund managers and locally in three subsidiary companies. The Trust also receives rental income from the land at the Sullom Voe terminal.

Externally Managed Investments

The market value of the Trust's external investments is £377.2 million (2022 – £434.6 million). A breakdown of the Trust's external investments is detailed below:

Manager	Mandate	Market Value 2023 (£m)	Market Value 2022 (£m)
Baillie Gifford	Active Equities	163.1	212.8
BlackRock	Passive Equities	94.0	97.6
Schroders	UK Property	74.7	75.9
Insight	Diversified Growth	45.4	48.3
Total		377.2	434.6

The growth in value of the investments as well as dividend income received, generated a loss of £45.3 million over the year (2022 - nil). This equates to a return of -10.5% (2022 – 0%).

Trustees' Report *(continued)*

Section 5: Financial Review *(continued)*

Over the twelve-month period to March 2023, equity markets have fluctuated greatly. The first half of the fiscal year saw significant diminution in value of investments, particularly in active equities. In contrast the second half of fiscal year has seen gradual improvement, and in the first quarter of 2023 posted double digit relative returns for active equities after an improved start to the year. Growth stocks have continued to be hard hit by inflationary pressures, interest rate rises, downturn in consumer spending, political tensions and wider market sentiment.

Property markets saw significant falls in capital values throughout 2022, however the first quarter of 2023 saw a degree of stabilisation.

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.

The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	(10.5)	(1.1)	(9.4)
3 Years	10.3	12.2	(1.9)
5 Years	9.3	7.2	2.1

The return over the last 12 months is below the benchmark and Financial Plan Return. However, the Trust's external investments have exceeded the benchmark return and have met the Financial Plan assumed return over longer periods.

Local Investments

Shetland Heat Energy and Power Limited (SHEAP) is a wholly owned subsidiary of the Trust, set up to operate the Lerwick District Heating Scheme. SHEAP has over 1,200 customers receiving heat and the company generated income of around £2.6 million in 2022/23. SHEAP recorded a small profit in 2022/23, and a gift aid payment may be made to the Trust during 2023/24.

SCT Renewables Limited is a 100% owned subsidiary of the Trust. Viking Energy Shetland LLP is a 90% owned subsidiary of SCT Renewables Limited and the Trust has invested £10.0 million as at 31 March 2023. It is a partner in the Viking Energy project, which is a wind farm project in central Shetland.

C.T. Shetland (T.M.) Limited does not trade. The purpose of the company is to register and own certification trademarks, for example, the knitwear trademark known as *The Shetland Lady*.

Decisions about Investments

When the Board make decisions about investing the Trust's capital, the law requires them to seek appropriate advice and act as reasonably prudently as commercial investors would. An investor is concerned with various criteria when investing money; these include rate of return (dividends / income / rent / interest earned), capital growth, and the level of risk. This applies whether the investments are on a Stock Exchange, or when they involve local assets. Investment, wherever it is made, involves using Trust funds wisely to produce income and to increase the value of those funds. To do this properly the Trust has to act commercially. It cannot "act charitably" towards its investments.

The Trust's Investment Plan 2020–25 was agreed in 2019 and is based on 75% in shares, 15% in property and 10% in a diversified portfolio of assets. The Plan was originally approved in 2016 and reviewed in 2018/19 and 2021/22. The Plan seeks to maintain diversification whilst increasing average returns in the long term.

Trustees' Report *(continued)*

Section 6: Plans For The Future

The Trust is currently implementing its strategy for 2020 to 2025. The Strategy 2020-2025, sets out the Trust's ambition, objectives and priorities for the period. The Strategy and the associated Financial, Disbursement and Investment Plans for the period were approved in September 2019.

In July 2020, the Trust has opened up its Main Grant Scheme to new applications for a maximum of four years funding. In addition, in December 2020 the Trust opened up a new Small Grant Scheme for smaller organisations. Both Schemes will continue be open for applications for funding for the remainder of the strategy period.

During 2022/23, the Trust opened a Capital Grant Scheme with the aim of maintaining Shetland's community assets operated by the three large Trusts and Voluntary Action Shetland. The Trust has committed up to £12.0 million over three years to the Scheme.

The Trust has begun the process of reviewing its current strategy, and developing a new strategy for a five-year period 2025 to 2030. Strategy consultants were appointed in April 2023, and the timeline that has been developed will see new strategy document presented to Trustees in February 2024 for approval.

R M Leask
Chair

14 September 2023

Statement of trustees' responsibilities in respect of the trustees' annual report and the financial statements

Under charity law, the trustees are responsible for preparing a Trustees' Annual Report and financial statements for each financial year which show a true and fair view of the state of affairs of the group and the charity and of the group's and the charity's excess of income over expenditure for that period. The trustees have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the charity or to cease operations, or have no realistic alternative but to do so.

The trustees are required to act in accordance with the trust deed and the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 (as amended), those statements of accounts comply with the requirements of regulations under that Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF SHETLAND CHARITABLE TRUST

Opinion

We have audited the financial statements of Shetland Charitable Trust (the 'charity') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Financial Activities, the Trust Statement of Financial Activities, the Consolidated Balance Sheet, the Trust Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 31 March 2023 and of the group's and the charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have

performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 13 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework, that the group and charity operates in and how the group and charity is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the charity's governing documents. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety and employment legislation. We performed audit procedures to inquire of management whether the group is in compliance with these law and regulations and inspected minutes and the risk register for monitoring of controls in place. We corroborated a sample of the payroll transactions and evaluated the compliance with associated employment and tax legislation.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD

14 September 2023

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Consolidated statement of financial activities

for the year ended 31 March 2023

		Unrestricted funds		2023	2022
		General funds	Expendable endowment	Total	Total
	Note	£000	£000	£000	£000
Income and endowments from					
Other trading activities	6	2,580	-	2,580	3,003
Investments		2,995	-	2,995	3,085
Rental income		508	-	508	507
Other income		-	-	-	2
Total income and endowments		6,083	-	6,083	6,597
Expenditure on					
Expenditure on raising funds	6	(2,416)	-	(2,416)	(2,865)
Investment Management		-	(1,411)	(1,411)	(1,723)
Charitable activities	2	(11,676)	-	(11,676)	(9,545)
Total expenditure		(14,092)	(1,411)	(15,503)	(14,133)
Net losses on investments	11	-	(48,282)	(48,282)	(384)
Net income/(expenditure)		(8,009)	(49,693)	(57,702)	(7,920)
Gross transfers between funds	11, 12	8,063	(8,063)	-	-
Other recognised gains and losses					
Actuarial (losses)/gains in defined benefit pension scheme	16	1,687	-	1,687	726
Non-controlling interest share of net income/ expenditure		-	-	-	-
Net movement in funds attributable to the charity		1,741	(57,756)	(56,015)	(7,194)
Fund balances brought forward attributable to the charity	11, 12	(1,544)	451,345	449,801	456,995
Fund balances carried forward attributable to the charity	11, 12	197	393,589	393,786	449,801
Non-controlling interest share of net income/ expenditure		(2)	-	(2)	(1)
Other changes in non-controlling interests		-	-	-	-
Fund balances brought forward attributable to non-controlling interest		816	-	816	817
Fund balances carried forward attributable to non- controlling interests		814	-	814	816
Total group funds carried forward	11, 12	1,011	393,589	394,600	450,617

Trust statement of financial activities

for the year ended 31 March 2023

	Note	Unrestricted funds		2023 Total £000	2022 Total £000
		General funds £000	Expendable endowment £000		
Income and endowments from					
Income from investments		2,995	-	2,995	3,085
Other investment income (Gift Aid receipts from subsidiary undertakings)		25	-	25	-
Rental income		508	-	508	507
Other income		-	-	-	2
		<hr/>	<hr/>	<hr/>	<hr/>
Total income and endowments		3,528	-	3,528	3,594
		<hr/>	<hr/>	<hr/>	<hr/>
Expenditure on:					
Expenditure on raising funds		-	(1,411)	(1,411)	(1,723)
Provision made against equity investment	6	(14)	-	(14)	(16)
		<hr/>	<hr/>	<hr/>	<hr/>
Charitable activities	2	(11,676)	-	(11,676)	(9,545)
		<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure		(11,690)	(1,411)	(13,101)	(11,284)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss on investment assets	11	-	(48,282)	(48,282)	(384)
		<hr/>	<hr/>	<hr/>	<hr/>
Net income/(expenditure)		(8,162)	(49,693)	(57,855)	(8,074)
		<hr/>	<hr/>	<hr/>	<hr/>
Gross transfers between funds	11,12	8,063	(8,063)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Other recognised gains/(losses)					
Actuarial gains/(losses) in defined benefit pension scheme	16	1,687	-	1,687	726
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds		1,588	(57,756)	(56,168)	(7,348)
		<hr/>	<hr/>	<hr/>	<hr/>
Total funds brought forward	11,12	(1,895)	451,345	449,450	456,798
		<hr/>	<hr/>	<hr/>	<hr/>
Fund balances carried forward		(307)	393,589	393,282	449,450
		<hr/>	<hr/>	<hr/>	<hr/>

All funds are unrestricted income funds. The incoming resources and resulting net movement in funds all arose from continuing operations. All gains and losses recognised in the year are included above.

The notes on pages 22 to 39 form a part of the financial statements.

Consolidated balance sheet

as at 31 March 2023

	Note	2023 £000	2023 £000	2022 £000	2022 £000
Fixed assets					
Tangible assets	4		4,817		4,749
Investments	5	377,158		434,581	
Programme-related investments	6	6,634		6,638	
			383,792		441,219
Total fixed assets			388,609		445,968
Current assets					
Stocks		37		22	
Debtors	7	1,777		1,896	
Cash at bank and in hand	8	9,446		7,025	
Total current assets		11,260		8,943	
Creditors: amounts falling due within one year	9	(4,712)		(2,200)	
Net current assets			6,548		6,743
Total assets less current liabilities			395,157		452,711
Provisions for liabilities and charges	10		(250)		(199)
Net assets excluding pension liability			394,907		452,512
Pension liability	16		(307)		(1,895)
Net assets including pension liability			394,600		450,617
Represented by:					
Expendable endowment	11		393,589		451,345
Unrestricted income funds:	12				
General funds			-		-
Trading funds			504		351
Unrestricted income funds excluding pension reserve			504		351
Pension reserve	16		(307)		(1,895)
Total unrestricted income funds	12		197		(1,544)
Group funds attributable to the Charity			393,786		449,801
Non-controlling interest			814		816
Total group funds			394,600		450,617

These financial statements were approved by the trustees on 14 September 2023 and were signed on their behalf by:

R M Leask
Chair

R C Leith
Trustee

The notes on pages 22 to 39 form a part of these financial statements.

Trust balance sheet

as at 31 March 2023

	Note	2023 £000	2023 £000	2022 £000	2022 £000
Fixed assets					
Tangible assets	4		23		23
Investments	5	377,157		434,581	
Programme-related investments	6	12,339		12,353	
			389,496		446,934
Total fixed assets			389,519		446,957
Current assets					
Debtors	7	1,038		1,256	
Cash at bank and in hand	8	6,347		4,577	
Total current assets		7,385		5,833	
Creditors: amounts falling due within one year	9	(3,324)		(1,445)	
Net Current Assets			4,061		4,388
Total assets less current liabilities			393,580		451,345
Provision for liabilities and charges	10		9		
Net assets excluding pension liability			393,589		
Pension liability	16		(307)		(1,895)
Net assets including pension liability			393,282		449,450
Represented by:					
Expendable endowment	11		393,589		451,345
Unrestricted income funds:					
General funds	12		-		-
Pension reserve	16		(307)		(1,895)
Total unrestricted income funds	12		(307)		(1,895)
Total Trust funds			393,282		449,450

These financial statements were approved by the trustees on 14 September 2023 and were signed on their behalf by:

R M Leask
Chair

R C Leith
Trustee

The notes on pages 22 to 39 form a part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2023

Cash flows from operating activities	Note	2023 £000	2022 £000
Net outgoing resources before other recognised gains and losses		(57,702)	(7,920)
<i>Adjustments for:</i>			
Investment income and interest receivable		(2,995)	(3,085)
Less rental income		(508)	(507)
Depreciation and impairment of tangible fixed assets	4	235	259
Loss on fixed assets		15	65
Movement in pension liability, excluding actuarial gains and losses	16	99	121
Gains/(losses) on investment assets	5	48,282	384
(Increase)/Decrease in stock		(15)	25
(Increase)/Decrease in debtors	7	(10)	98
(Decrease)/Increase in creditors	9	2,512	(140)
Increase in provisions	6,10	47	117
Net cash flow from operating activities		(10,040)	(10,583)
Cash flow from investment activities			
Purchase of managed funds investments	5	(7,572)	(152,313)
Purchase of tangible fixed assets	4	(317)	(471)
Sale of managed funds investments	5	10,539	90,570
Realised (losses)/gains on managed fund investments	5	9,092	68,444
Net movement in cash flows attributable to managed fund Investments	5	(2,917)	148
Investments:			
Movement in agricultural loan		-	7
Movement in Programme related investment	6	4	-
Investment income and interest received		2,995	3,085
Rental income		508	507
Issue of capital works bridging loans		(377)	(894)
Repayment of capital works bridging loans		506	465
Net cash flow from investing activities		12,461	9,548
Cash flow from financing activities			
Investment income and interest received		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		2,421	(1,035)
Cash and cash equivalents at 1 April	8	7,025	8,060
Cash and cash equivalents at 31 March	8	9,446	7,025

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Trust's financial statements.

1.1 Basis of preparation

The financial statements have been prepared under the historical cost accounting rules, as modified by the revaluation of investments and in accordance with the provisions of the Trust Deed, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the Statement of Recommended Practice Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (as amended for accounting periods on or after 1 January 2019).

The financial statements are prepared in sterling, which is the functional currency of the group and charity. Monetary amounts in these financial statements are rounded to the nearest £1,000. Shetland Charitable Trust meets the definition of a public entity under FRS 102. The financial statements have been prepared in compliance with FRS 102. Assets and liabilities are initially recognised at historic cost or transaction value unless otherwise stated in the relevant accounting policy note.

Shetland Charitable Trust has three 100% owned subsidiary companies which are trading. The Trust and its subsidiaries are considered qualifying entities under FRS 102 paragraphs 1.8 to 1.12. The following exemptions are available:

- No separate Trust Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- The disclosures required by FRS 102.11 Basic Financial Instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the trustees, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 18. The charity's business activities, together with the factors likely to affect its future development, performance and position are set out in the Trustee's Report on pages 2 to 12. The financial position of the charity, its cash flows, liquidity position and borrowing facilities are described in the financial statements on pages 17 to 21. In addition, pages 5 and 6 of the trustees report include the charity's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The charity has considerable financial resources together with long-term investments with a number of fund managers across different geographic areas and industries. As a consequence, the Trustees believe that the charity is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.2 Basis of consolidation

These financial statements consolidate the assets and liabilities of the charity and its subsidiaries, Shetland Heat Energy and Power Limited, SCT Renewables Limited (formerly known as Viking Energy Limited) and Viking Energy Shetland LLP, on a line by line basis. The income and expenditure of these subsidiaries are also consolidated on a line by line basis, where appropriate.

In accordance with FRS 102, gift aid payments are accounted for in the subsidiary undertakings in the year in which an irrevocable commitment to make a payment has been made.

Notes (continued)

1 Accounting policies (continued)

1.2 Basis of consolidation (continued)

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Any non-controlling interest in subsidiaries is recognised at the non-controlling interest's share of the net assets at acquisition date adjusted for their share of losses to date.

1.3 Fund accounting

All funds of the Trust are unrestricted, to be used in accordance with the charitable objectives of the Trust at the discretion of the trustees. The expendable endowment represents the long-term investment funds of the Trust. The unrestricted income funds include the Trust's general funds, which represent the annual operating funds of the Trust, and the trading funds.

The trading funds represent the accumulated results of Shetland Heat Energy and Power Limited, SCT Renewables Limited and Viking Energy Shetland LLP, adjusted to remove gift aid payments to the Trust by those companies.

1.4 Income and endowments from other trading activities and rental income

Turnover in Shetland Heat Energy and Power Limited represents the amounts (excluding value added tax) derived from the supply of hot water for heating systems and arises entirely in the United Kingdom.

Turnover in SCT Renewables Limited represents miscellaneous income only as the company is not yet trading fully. Turnover in Viking Energy Shetland LLP represents miscellaneous income only as the company is not yet trading fully.

Investments

Dividends are included within incoming resources when they are receivable. Loan interest is included in the statement of financial activities on an accruals basis.

1.5 Expenditure

Charitable expenditure is recognised when it is payable. The Trust has given commitments to certain charitable bodies to provide ongoing revenue funding and to finance various capital projects. In view of the long-term nature of these commitments which are subject to review, combined with the uncertainty as to the amounts involved, these commitments are accounted for only when irreversible decisions on funding are communicated to the charitable bodies.

Support costs are directly attributable to the Trust's charitable activities and are recorded within the "charitable activities" section of resources expended in the statement of financial activities.

Cost of generating funds

The cost of generating funds represents fund managers' fees.

Governance costs

Governance costs comprise the costs associated with the Trust's compliance with charity regulation and good practice and include related professional fees.

1.6 Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes (continued)

1 Accounting policies (continued)

1.6 Basic financial instruments (continued)

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Grants

Capital based grants received by the Trust's subsidiary undertakings are included within accruals and deferred income on the balance sheet and credited to activities for generating funds over the estimated useful economic lives of the assets to which they relate.

1.8 Investments

Managed fund investments are stated at market value. Realised and unrealised gains and losses arising on these investments are taken to the expendable endowment and are included within other recognised gains and losses in the statement of financial activities. Where investments are transferred between investment managers, an amount equal to the unrealised gains or losses on the investments as at the time of transfer is taken to the expendable endowment.

Investments in subsidiary undertakings are stated at cost less provisions. Any provisions made against these investments are charged to the expendable endowment.

1.9 Tangible fixed assets and depreciation

All expenditure incurred on tangible fixed assets is capitalised irrespective of its value (i.e. there is no minimum level above which assets purchased are capitalised). Tangible fixed assets are capitalised at cost.

Depreciation is charged to the expendable endowment to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Buildings	-	7 to 10 years
Fixtures and fittings	-	3 to 5 years
Plant and machinery	-	10 years
District Heating Infrastructure	-	30 years

The asset value of the Sullom Voe site is now fully depreciated.

Where the recoverable amount of a tangible fixed asset is found to be below its net book value, the asset is written down to its recoverable amount and the loss on impairment is charged to the relevant resources expended category in the statement of financial activities.

1.10 Investment properties

The Trust hold no investment properties.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Taxation

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2011 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2011 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. There is no similar exemption for VAT.

Tax on the profit or loss of subsidiaries for the year comprises current and deferred tax. Tax is recognised in the statement of financial activities except to the extent that it relates to items recognised directly in equity or other recognised gains and losses, in which case it is recognised directly in equity or other recognised gains and losses.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.12 Employee benefits

Defined benefit plans

The Trust participates in the Local Government Pension Scheme administered by Shetland Islands Council. This scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust in an independently administered fund.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Trust's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Trust determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Trust's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Trust recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Notes (continued)

1 Accounting policies (continued)

1.12 Employee benefits (continued)

Defined benefit plans

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other recognised gains and losses in the period in which it occurs.

1.13 Stock

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

1.14 Cash and cash equivalents

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year.

2 Cost of activities in furtherance of the charity's objects

Charitable activities

The group's charitable expenditure, which mainly comprises grants payable in respect of the year, is summarised below:

	2023 £000	2022 £000
General funds		
Payments to charitable organisations	11,299	8,920
Schemes	51	52
Charitable grants repaid	(359)	(99)
	<hr/>	<hr/>
Total charitable grants	10,991	8,873
Support costs, including governance costs (below)	586	476
Pension adjustments	99	121
	<hr/>	<hr/>
Total charitable expenditure – general funds	11,676	9,470
	<hr/>	<hr/>
Expendable endowment		
Depreciation	-	75
	<hr/>	<hr/>
Total resources expended on charitable activities	11,676	9,545
	<hr/> <hr/>	<hr/> <hr/>

Further details of the group's charitable expenditure are included in Section 4 of the Trustees' Report.

Support costs

Support costs for the year of £462,643 (2022: £413,000) principally represent administration expenses and are all deemed to be attributable to the group's charitable activities. Included within administration expenses is £336,674 (2022: £289,389) in respect of staff costs (see note 3), of which nil (2022: £nil) was charged to subsidiaries.

Notes (continued)

2 Cost of activities in furtherance of the charity's objects (continued)

Governance costs

Governance costs totalling £126,000 (2022: £63,000) comprise the costs associated with the Trust's compliance with charity regulation and good practice. They include £36,000 (2022: £34,000) representing an appropriate apportionment of salary costs based on the proportion of the Chief Executives time spent on governance, together with Trustees' expenses (note 3), and audit fees (note 2) of £46,026 (2022: £19,476).

	Group and charity	
	Total	Total
	2023	2022
	£000	£000
Allocation of staff and support costs, including Trustees' allowance and expenses (see note 3)	36	34
Other costs	44	10
External auditor's remuneration:		
Audit of these financial statements	46	19
Audit of subsidiary undertakings (excluded from charitable governance costs)	17	16
Other services: taxation in relation to subsidiary undertakings	5	5
Total governance costs	148	84

3 Staff numbers and costs

The group had an average of sixteen employees during the year (2022: *thirteen*). The aggregate payroll cost of these employees was as follows:

	2023	2022
	£000	£000
Wages and salaries	700	648
Social security costs	74	70
Pension costs	100	76
	874	794

Employee costs totalling nil (2022: *£nil*) were charged by Shetland Charitable Trust in respect of work performed by its subsidiary companies. Eleven employees worked wholly or mainly on Shetland Heat Energy and Powers Limited's activities during the year. One employee worked part-time on SCT Renewables Limited's activities during the year.

Two employees (2022: *one*) received emoluments totalling between £90,000 and £99,999.

Retirement benefits are accruing to these members of staff under a defined benefit pension scheme; contributions in 2022/23 totalled £6,532.

Included above are the emoluments paid to key management personnel comprising three employees totalling £256,376 (2022: *three employees totalling £237,461*) and £32,887 (2022: *£29,108*) in social security costs and £39,310 (2022: *£32,718*) in pension contributions. Key management personnel's remuneration is set by reference to the Local Authority salary bands.

Expenses totalling £nil (2022: *£nil*) were reimbursed or paid on behalf of trustees during the year.

Notes (continued)

4 Tangible fixed assets

Group	Land and buildings £000	District heating scheme infrastructure £000	Other plant, machinery and AUC £000	Total £000
Cost or valuation				
At beginning of year	11,411	3,989	2,938	18,338
Additions	-	-	317	317
Disposals	-	-	(15)	(15)
At end of year	11,411	3,989	3,240	18,640
Depreciation				
At beginning of year	11,388	779	1,422	13,589
Eliminated on Disposals	-	-	(15)	(15)
Charge for year	-	133	116	249
At end of year	11,388	912	1,523	13,823
Net book value At 31 March 2023	23	3,077	1,717	4,817
At 31 March 2022	23	3,210	1,516	4,749

Land and buildings primarily consist of the site at Sullom Voe, plus the six rural care homes, previously operated by Shetland Welfare Trust, and donated to the Trust in 2007. The rural care homes had been previously funded by the Trust and the capital grant conditions applied to the funding to Shetland Welfare Trust required any building owned by Shetland Welfare Trust to be transferred to the Trust when Shetland Welfare Trust ceased to operate (effectively 1 April 2006). These are specialised buildings in rural locations in Shetland without comparators, which mean that it is not possible to establish a meaningful valuation for them in their present use. The Trustees therefore capitalised them at original cost, in line with the Trust's accounting policy for tangible fixed assets, which they believed to be a reasonable indication of their value at the date they were donated. The buildings continue to be used as care homes, in furtherance of the Trust's charitable objects, and as such are not held for investment purposes.

The net book value of other tangible fixed assets relates to plant and machinery, fixtures and fittings held by Shetland Heat Energy and Power Limited.

Notes (continued)

4 Tangible fixed assets (continued)

Charity

	Land and buildings £000	Donated Assets £000	Total £000
Cost			
At beginning and end of year	2,252	9,159	11,411
	=====	=====	=====
Depreciation			
At beginning of year	2,252	9,136	11,388
Charge for year	-	-	-
	=====	=====	=====
At end of year	2,252	9,136	11,388
	=====	=====	=====
Net book value			
At 31 March 2023	-	23	23
	=====	=====	=====
At 31 March 2022	-	23	23
	=====	=====	=====

5 Managed funds

Group and Charity	2023 Market Value £000	2023 Cost £000	2022 Market Value £000	2022 Cost £000
Equities	257,085	162,770	310,349	169,466
Diversified Investment Fund units	45,361	42,402	48,306	42,402
Property units	68,839	62,391	72,961	59,542
	=====	=====	=====	=====
	371,285	267,563	431,616	271,410
	=====	=====	=====	=====
Total investments	371,285	267,563	431,616	271,410
Cash on deposit and in hand	5,873	5,873	2,965	2,965
	=====	=====	=====	=====
	377,158	273,436	434,581	274,375
	=====	=====	=====	=====

Notes (continued)

5 Managed funds (continued)

	2023 £000	2022 £000
Reconciliation of market value of investments		
Market value at beginning of year	434,581	441,814
Investments purchased	7,572	152,313
Investments sold	(10,539)	(90,570)
Total unrealised gains on managed fund investments	(57,374)	(68,828)
Movement in investment managers' cash balances, accrued income and expenses	2,917	(148)
	<hr/>	<hr/>
Market value at end of year	377,157	434,581
	<hr/>	<hr/>

As at 31 March 2023, the Trust's funds other than programme-related investments are managed by Insight Investment Management, BlackRock Global Investors, Baillie Gifford & Co. and Schroders Property Managers. The split of the portfolio between the investment managers is as follows:

	2023 Market value £000	2023 Cost £000	2022 Market value £000	2022 Cost £000
Insight Investment Management	45,361	42,402	48,306	42,402
BlackRock Global Investors	94,042	98,092	97,648	99,170
Baillie Gifford	163,097	64,731	212,746	70,341
Schroders Property Managers	74,658	68,210	75,881	62,462
	<hr/>	<hr/>	<hr/>	<hr/>
	377,158	273,435	434,581	274,375
	<hr/>	<hr/>	<hr/>	<hr/>

6 Programme-related investments

	Group 2023 £000	2022 £000	Charity 2023 £000	2022 £000
Equity (below)	6,634	6,638	12,339	12,353
	<hr/>	<hr/>	<hr/>	<hr/>
	6,634	6,638	12,339	12,353
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

6 Programme-related investments (continued)

Equity – Group	Shares in subsidiary undertakings £000
Cost	
At beginning of year	7,970
	<hr/>
Cost at end of year	7,970
	<hr/>
Provisions	
At beginning of year	(1,332)
Provided in year	(4)
	<hr/>
Provisions at end of year	(1,336)
	<hr/>
Net book value	
At 31 March 2023	6,634
	<hr/> <hr/>
At 31 March 2022	6,638
	<hr/> <hr/>

Equity – Charity	Investments in subsidiary undertakings £000
Cost	
At beginning of year	15,041
	<hr/>
Cost at end of year	15,041
	<hr/>
Provisions	
At beginning of year	2,688
Provided in year	14
	<hr/>
Provisions at end of year	2,702
	<hr/>
Net book value	
At 31 March 2023	12,339
	<hr/> <hr/>
At 31 March 2022	12,353
	<hr/> <hr/>

Notes (continued)

6 Programme-related investments (continued)

As stated in note 1, these consolidated financial statements include the results of the charity's wholly owned trading subsidiaries, Shetland Heat Energy and Power Limited (SHEAP) and SCT Renewables Limited (SCT R) and also those of Viking Energy Shetland LLP (VES), over which the Trust has a controlling interest of 90%. The trading results of these companies are summarised below:

	2023 SHEAP £000	2023 SCT R £000	2023 VES £000	2023 Total £000	2022 Total £000
Turnover	2,580	-	-	2,580	3,003
Cost of sales	(1,268)	-	-	(1,268)	(1,552)
Gross profit	1,312	-	-	1,312	1,451
Administration expenses	(1,064)	(6)	(16)	(1,086)	(1,234)
Depreciation on investment properties	-	-	-	-	-
Provision made against equity investment	-	(14)	-	(14)	(12)
Operating profit/(loss)	248	(20)	(16)	212	205
Gain on disposal of investment properties	-	-	-	-	-
Interest receivable and similar income	-	-	-	-	-
Profit/(loss) on ordinary activities before taxation	248	(20)	(16)	212	205
Tax on profit/(loss) on ordinary activities	(62)	-	-	(62)	(79)
Profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial year	186	(20)	(16)	150	126
Gift aid payment to Shetland Charitable Trust	-	-	-	-	-
Retained (loss)/profit for the year after Gift Aid payment	186	(20)	(16)	150	126

Consistent with the current guidance, the Directors now consider the Gift Aid payment to be akin to a distribution rather than an expense, and as a result have now presented it outside of the profit and loss account as an adjustment to profit taken to retained earnings.

Notes (continued)

6 Programme-related investments (continued)

The expenditure of the companies, as recorded in the consolidated statement of financial activities, is analysed as follows:

	2023	2022
	Total	Total
	£000	£000
Cost of sales	1,268	1,552
Administration expenses	1,086	1,234
Tax charge on profit on ordinary activities	62	79
Interest receivable and similar income	-	-
	<hr/> 2,416 <hr/>	<hr/> 2,865 <hr/>

The assets and liabilities of the subsidiaries before consolidation were:

	2023	2023	2023	2023	2022
	SHEAP	SCT R	VES	Total	Total
	£000	£000	£000	£000	£000
Tangible fixed assets	4,794	-	-	4,794	4,725
Investments	-	7,330	6,651	13,981	13,995
Current assets	2,356	19	1,500	3,875	3,110
Current liabilities	(1,377)	(6)	(6)	(1,389)	(755)
Provisions for liabilities and charges	(258)	-	-	(258)	(198)
	<hr/> 5,515 <hr/>	<hr/> 7,343 <hr/>	<hr/> 8,145 <hr/>	<hr/> 21,003 <hr/>	<hr/> 20,877 <hr/>
Total net assets					
Called up share capital	1,000	10,052	8,145	19,197	19,213
Profit and loss account	1,437	(2,835)	-	(1,398)	(1,546)
Capital contribution reserve	3,078	-	-	3,078	3,210
Revaluation reserve	-	126	-	126	-
	<hr/> 5,515 <hr/>	<hr/> 7,343 <hr/>	<hr/> 8,145 <hr/>	<hr/> 21,003 <hr/>	<hr/> 20,877 <hr/>
Total reserves					

Further details of the subsidiary companies and of their tax charge for the year are included in their financial statements, copies of which may be obtained from Companies House.

Notes (continued)

7 Debtors

	Group		Charity	
	2023 £000	2022 £000	2023 £000	2022 £000
Trade debtors	605	605	-	-
Prepayments and accrued income	196	261	161	251
Other debtor	100	25	1	-
Programme-related loans	876	1,005	876	1,005
	<u>1,777</u>	<u>1,896</u>	<u>1,038</u>	<u>1,256</u>

8 Cash and cash equivalents

Group	2023 £000	2022 £000
Cash at bank and in hand	<u>9,446</u>	<u>7,025</u>

9 Creditors: amounts falling due within one year

	Group		Charity	
	2023 £000	2022 £000	2023 £000	2022 £000
Trade creditors	1,288	695	70	51
Other tax and social security	13	12	-	-
Other creditors and accruals	3,411	1,493	3,254	1,394
	<u>4,712</u>	<u>2,200</u>	<u>3,324</u>	<u>1,445</u>

10 Provisions for liabilities and charges

Group	Deferred taxation £000
At beginning of year	161
Credit for the year	53
Effect of increased tax rates	-
At end of year	<u>214</u>

A bad debt provision of £8,552 was made in respect of Main Grant Scheme. Sequestration of funded organisation will complete in 2023/24.

In addition, a provision of £35,549 (2022: £37,856) was made in respect of Capital Grants.

The deferred tax liability arising within the Trust's subsidiary companies at the year-end of £222,622 (2022: £160,818) is analysed as follows:

Notes (continued)

10 Provisions for liabilities and charges (continued)

Group	Assets 2023 £000	2022 £000	Liabilities 2023 £000	2022 £000	Net 2023 £000	2022 £000
Accelerated capital allowances	-	-	223	161	223	161
Net tax (assets) / liabilities	-	-	223	161	223	161

11 Expendable endowment

	Group Total £000	Charity Total £000
At beginning of year	451,345	451,345
Outgoing resources	(1,411)	(1,411)
Gain/(Loss) in the year	(48,282)	(48,282)
Transfers	(8,063)	(8,063)
At end of year	393,589	393,589

12 Unrestricted income funds

Group	General funds £000	Trading funds £000	Pension reserve £000	Revaluation reserve £000	Total unrestricted income funds £000
At beginning of year	-	351	(1,895)	-	(1,544)
Net movement in funds	(8,063)	153	(99)	-	(8,009)
Transfers	8,063	-	-	-	8,063
Actuarial gains	-	-	1,687	-	1,687
At end of year	-	504	(307)	-	197

Charity	General funds £000	Pension reserve £000	Total unrestricted income funds £000
At beginning of year	-	(1,895)	(1,895)
Net incoming resources before other recognised gains and losses	(8,063)	(99)	(8,162)
Transfers	8,063	-	8,063
Actuarial Gains	-	1,687	1,687
At end of year	-	(307)	(307)

Notes (continued)

The group trading funds balance now represents the accumulated surplus on the Trust's subsidiary company undertakings, while the group and charity general fund balances have been brought into alignment. A transfer has been made to the General Fund from the Endowment Fund to eliminate the non-pension related deficit accumulated on the General Fund.

13 Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

	2023	2022
	£000	£000
Less than one year	20	17
Between one and five years	72	58
More than five years	197	183
	<hr/> 289 <hr/>	<hr/> 258 <hr/>

During the year £18,016 was recognised as an expense in the consolidated statement of financial activities in respect of operating leases (2022: £16,842).

14 Commitments

Capital commitments

Shetland Heat Energy and Power Limited's contractual commitments to purchase tangible fixed assets at the year-end were Nil (2022: £nil)

15 Subsequent Events

There were no subsequent events post the balance sheet date and prior to the date of signing these accounts that would have a material impact on the results reported or the financial position of the group.

16 Pension scheme

The Trust participates in the Shetland Islands Council Pension Fund which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust. The information disclosed below is in respect of the Trust's share of the assets and liabilities throughout the periods shown.

The latest full actuarial valuation was carried out at 31 March 2020 and was updated for FRS 102 purposes to 31 March 2023 by a qualified independent actuary.

	2023	2022
	£000	£000
Net pension liability defined benefit obligation	(3,781)	(5,451)
Fair value of plan assets	3,586	3,693
	<hr/> (195) <hr/>	<hr/> (1,758) <hr/>
Unfunded defined benefit obligations	(112)	(137)
	<hr/> (307) <hr/>	<hr/> (1,895) <hr/>

Notes (continued)

16 Pension scheme (continued)

Movements in present value of defined benefit obligation:

	2023	2022
	£000	£000
At 1 April	5,588	5,875
Current service cost	106	115
Interest cost	150	117
Actuarial losses/(gains)	(1,803)	(407)
Contributions by members	19	18
Benefits paid	(167)	(130)
	<hr/>	<hr/>
At 31 March	3,893	5,588
	<hr/> <hr/>	<hr/> <hr/>

Movements in fair value of plan assets:

	2023	2022
	£000	£000
At 1 April	3,693	3,375
Expected return on plan assets	98	67
Actuarial gains/(losses)	(116)	319
Contributions by employer	59	44
Contributions by members	19	18
Benefits paid	(167)	(130)
	<hr/>	<hr/>
At 31 March	3,586	3,693
	<hr/> <hr/>	<hr/> <hr/>

Expenditure recognised in the statement of financial activities:

	2023	2022
	£000	£000
Current service cost	(106)	(115)
Interest cost	(52)	(50)
	<hr/>	<hr/>
Total	(158)	(165)
	<hr/> <hr/>	<hr/> <hr/>

The expenditure is recognised in the following line items in the statement of financial activities:

	2023	2022
	£000	£000
Charitable activities – support costs	(158)	(165)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

16 Pension scheme (continued)

The total amount recognised in the other recognised gains and losses section of the statement of financial activities are as follows:

	2023 £000	2022 £000
Actuarial gains/(losses)	1,803	407
Return on assets attributed to the Charity excluding interest income	(116)	319
	<u>1,687</u>	<u>726</u>

The fair value of the plan assets and the return on those assets were as follows:

	2023 Fair value £000	2022 Fair value £000
Equities	3,084	2,991
Bonds	107	259
Property	359	406
Cash	36	37
	<u>3,586</u>	<u>3,693</u>
Actual return on plan assets	<u>(18)</u>	<u>386</u>

The expected rates of return on plan assets are determined by reference to the historical actual returns on the fund as provided by the administering authority and index returns where necessary.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2023 %	2022 %
Discount rate	4.75	2.70
Future salary increases	3.05	3.20
Inflation / pension increase rate	2.95	3.20

In valuing the liabilities of the pension fund at 31 March 2023, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 20.3 years (male), 22.7 years (female).

Future retiree upon reaching 65: 21.6 years (male), 24.8 years (female).

The Trust expects to contribute approximately £52,000 (2022: £50,000) to its defined benefit plans in the next financial year to 31 March 2024.

Notes *(continued)*

17 Related parties

In the year to 31 March 2023 the SCT Renewables Limited invested £Nil (2022: £Nil) in Viking Energy Shetland LLP in which SCT Renewables Limited is a 90% partner.

In the normal course of business, some of the Trustees are appointed as directors or as Trustees of other organisations and charitable bodies within the Shetland Islands, including those which the Trust may from time to time transact with, either through routine business or in the provision of charitable grants. These relationships are not considered to be related party transactions as in no instance is the level of mutual trustees such as to provide direct or indirect control, or to place the Trustees in a position where they are able to provide influence over the financial and operating policies of the other organisations.

There are no outstanding amounts owed to/by related parties.

18 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the financial statements requires Trustees and directors of the subsidiary companies to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical accounting judgements in applying the Company's accounting policies

The Trustees believe that major judgements are applied around depreciation and pension valuation assumptions.

The Trust participates in the Shetland Islands Council Pension Fund which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust. In valuing the liabilities of the pension fund and the Trust's share of the scheme assets at 31 March 2023, assumptions have been made. The latest full actuarial valuation was carried out at 31 March 2020 and was updated for FRS 102 purposes to 31 March 2023 by a qualified independent actuary. The assumptions used are consistent with those prescribed for FRS 102.

The directors of Shetland Heat Energy and Power Limited believe that the major judgements applied are around the PPE, depreciation rates and bad debt provision. The company exercises judgement to determine useful lives and residual values of property, plant and equipment. The assets are depreciated down to their residual values over their estimated useful lives. The company exercises judgement in levels of bad debt provisions required based on its knowledge of customers and past experience.



Audit findings report

Issued to Shetland Charitable Trust – year ended 31 March 2023

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Executive summary

Status and overview of the audit

Our audit progressed as planned with work substantially complete. Subject to the successful resolution of outstanding matters listed below, we anticipate issuing an unmodified audit opinion on the group's financial statements in line with the agreed timetable.

Note that we carried out a full scope component audit on the subsidiary Shetland Heat Energy and Power Limited which was signed off on 30 June 2023 with an unmodified audit opinion.

Outstanding matters

- Post balance sheet update to date of sign off (including management accounts to June 2023)
- Final review of accounts and clearance of file

Final materiality

Changes were made to materiality to reflect final year end results. As a result, final group materiality is £335,000.

Unadjusted misstatements

There are no unadjusted misstatements.

A number of adjustments were processed by management following issue of the initial trial balance to audit. There were all discussed and agreed.

Risks identified in the audit plan

(See Appendix for risk description and planned work)

We have set out below details of those areas that we considered to be the key risks arising when we presented our audit plan. There have been no changes to the risks identified.

Audit risks summary

Risk item	Risk identified
1	Management override of controls*
2	Investment valuation
3	Capital grant scheme
4	Pension scheme deficit/ asset



Audit risks

Risk	Findings
Management override	<p>We have reviewed the journal posting process. Journals posted in the year are in line with our understanding of how Shetland Charitable Trust and its subsidiaries operates. This includes segregation of duties around journals and authorisation controls. We used data analytics software (Alteryx) to select a risk-based sample of journals for testing and these were corroborated with no issues noted.</p> <p>We have reviewed any significant transactions and estimates. The main estimate is the pension provision figure which is provided by Hymans Robertson. Their assumptions are in line with benchmark data and appear reasonable. In terms of the overall group audit, we reviewed estimates on the Shetland Heat Energy and Power Limited file – the most significant of which are useful lives and residual lives of fixed assets and bad debt provisioning – and no issues were noted.</p> <p>We have not found any significant transactions that are outside the normal course of business.</p> <p>We conclude that there is no evidence of management override.</p>
Investments valuation	<p>We completed our planned testing on investments and as expected from planning we note the material fair value loss in the year reflective of volatile market conditions in the year. Our work included agreeing the information to the Northern Trust valuations which confirmed the valuation in the financial statements of £377,158k. Northern Trust are the custodian and investment monitor and oversee the other investment fund managers.</p> <p>We also obtained confirmations from the individual fund managers which were consistent on a unit basis. As usual, there were differences on the price/ valuation due to the varying valuation methods used by the fund managers – in total the investment valuation in the financial statements was £377,158k compared to £379,474k per the individual fund manager confirmations. The Trust has valued investments in the financial statements at fair market value in line with the Northern Trust report. This is on a consistent and prudent basis, and in line with prior periods. We therefore conclude there are no misstatements in this area.</p> <p>We reviewed the position with the subsidiary companies and the consolidation. Shetland Heat Energy and Power Limited (SHEAP) are generating profits and there are no indicators of impairment. In terms of the SHEAP component audit the main areas of risk included revenue recognition and going concern. We completed our planned testing and noted no material issues with revenue. We concurred with management’s assessment that the company is a going concern with no material uncertainties.</p>

Audit risks

Risk	Findings
Investments valuation (continued)	<p>SCT hold an investment in SCT Renewables Limited (SCT R). No additional capital was required in the year and there are no indications of impairment.</p> <p>SCT R hold an investment in Viking Energy Shetland LLP (VES) which holds an interest in the Viking Energy windfarm. During the year the construction continued on the windfarm and interconnector as planned. We note that post year end the final wind turbine has been constructed. The trust has a preferred return based on windfarm output and we have reviewed documentation relating to this. The discounted cash flow previously prepared on the future returns demonstrates that there is no impairment of the investment.</p> <p>At the year-end, based on the evidence in this area, we concluded that the investment valuation basis was appropriate.</p>
Capital grant scheme	<p>We have discussed with management the position at the year end. We note that the grant letters were approved and issued in April 2022. We have reviewed the grant offer letters and note there are no performance related conditions or other conditions that would cause the grants to be deferred. On this basis the capital grants have all been recognised and accrued in full in the financial statements to 31 March 2023. The exception being the capital grants awarded to one organisation that has had to pause their capital works programme due to individual circumstances. It was not probable at the year-end that these grants will be paid – therefore in this case the grants recognised have been limited to those claimed and paid. We have reviewed the Charities SORP in this area and we concur that management have correctly applied the accounting requirements.</p>
Pension scheme deficit	<p>We have reviewed the pension scheme documentation provided from the actuaries, including key assumptions. The assumptions are appropriate when compared to benchmark data. The valuation of the pension scheme deficit is in line with FRS 102 and the financial statement disclosures are consistent with this. We conclude that there are no misstatements in this area.</p>

Qualitative aspects of accounting

Management judgements and accounting estimates

The following areas are considered to be the principal management judgements and estimates. The graphic below visually represents the impact (lower or higher) on the financial statements of a change in management’s estimate. In overview, a reasonably possible change in estimate that has a low impact means that such a change will have limited impact on the financial statements.

We have indicated for each area our views on the level of prudence or optimism applied by management in forming these judgements and estimates.

Areas of judgement / estimate	Low impact	High impact
Provision for bad debts	●	
Valuation of defined benefit pension schemes	●	
Provision for bad debts (SHEAP)	●	
Useful economic lives of tangible assets (SHEAP)		●
Valuation of investments		●



Observations arising from our audit

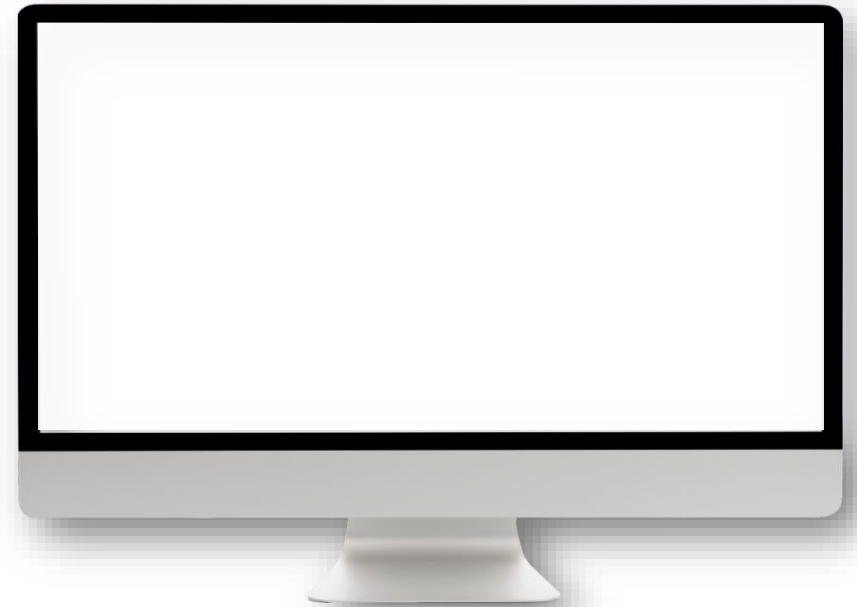
Other

VES – bank facilities and charges

We noted a Visa facility is still in place on the Viking Energy Shetland LLP account which is no longer required and could be removed. We also noted that there is a bond and floating charge in place but no debt or overdraft facility so steps could be taken to have this satisfied.

Land registry

We highlight and note as a positive that management are working with their legal advisers to tidy up title deeds and ensure all properties are on the land registry.



Recommendations on controls

No recommendations on internal controls have come to our attention during the course of our audit work.

This does not constitute a comprehensive statement of all internal control matters or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.



Appendix



Financial statement disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards and the requirements of the Charities SORP and FRS 102.

A list of disclosure points has been sent to the Finance Manager and the financial statements have been updated accordingly. There are no significant points to bring to your attention regarding any omissions or further amendments.

Other matters to be reported

Representations requested

In addition to those representation which we request on all audit assignments (<http://www.rsmuk.com/standard-representations>) we will be seeking specific representations from the Board on the following matters:

- In respect of items held at fair value and investments held at cost less impairment confirmation that the significant assumptions used, and valuation basis are appropriate at the year end and investments are not impaired..

Audit administration matters

In relation to all other areas of audit testing management were helpful and supportive as in previous years. We express our sincere thanks to Ann, Edna, Glenn and Sonja for their assistance.

Fees

Our fees for the statutory audit will be in line with those quoted in the audit plan.

We highlight that some additional work was done separately in relation to reviewing the Viking Energy Wind Farm LLP resolution. Fees for this work will be discussed and agreed with management.

Independence

In accordance with the International Standard on Auditing (UK) 260 “communication with those charged with governance”, there are no changes to the details of relationships between RSM UK Audit LLP including its related entities and persons in a position to influence the conduct or outcome of the audit and [Shetland Charitable Trust](#) and its connected parties that may reasonably be thought to bear on our independence, integrity and objectivity and the related safeguards from those disclosed in the audit plan.

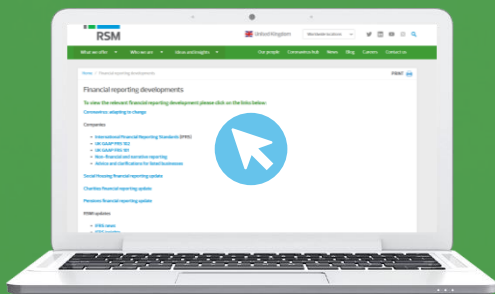


Financial reporting updates

Financial reporting updates

A full list of financial reporting updates can be found by clicking the link below:

[Please click here](#)



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Audit risk summary

taken from the audit plan



Audit risk summary

Risk	Description	Response
Management override	<p>Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level.</p> <p>By nature, a management override or by-pass of controls cannot be eliminated by the implementation of controls and therefore as part of our audit we will perform additional tests of detail to address this risk.</p>	<p>We will:</p> <ul style="list-style-type: none">• Test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements, tracing selected entries back to source documentation.• Review significant accounting estimates and policies which could involve bias resulting in a material misstatement.• Discuss the basis and business rationale for any significant non-routine or contentious transactions which come to our attention during the course of our audit and will fully report the outcomes of our testing in our audit findings report.
Investments valuation	<p>There is a risk that the fair value of listed investments will be incorrectly recognised in the financial statements and that disclosures will not accurately reflect movements in the year.</p> <p>There is a risk that programme related investments could be impaired.</p>	<p>We will:</p> <ul style="list-style-type: none">• Use substantive analytical review procedures to ensure that listed investment values and any changes are consistent with market movements and that investments are stated correctly in accordance with the accounting policy and agree to the third-party reports supplied by the Investment Managers.• Discuss with you the strategy and future plans for programme related investments and review management's assessment of impairment. Indicators of impairment will be reviewed and discussed.

Audit risk summary (continued)

Risk	Description	Response
Capital grant scheme	<p>There is a risk that the fair value of listed investments will be incorrectly recognised in the financial statements and that disclosures will not accurately reflect movements in the year.</p> <p>There is a risk that programme related investments could be impaired.</p>	<p>We will:</p> <ul style="list-style-type: none">• Discuss with management to understand how these grants have been accounted for and document their rationale• Review the grant offer letters paying particular attention to the conditions and whether any are performance related.• Assess the accounting treatment against the Charities SORP and conclude on appropriateness.
Pension scheme deficit/ asset	<p>The Trust participates in the Shetland Islands Council defined benefit pension scheme. Given the present market conditions and potential adjustments to historical assumptions, the valuation of the pension scheme liability is significant particularly given that similar pension schemes are showing a surplus position. The latest valuation for the scheme will impact assets and liabilities in the financial statements. FRS 102 has detailed financial reporting disclosures that must be included in the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none">• Review the assumptions used in assessing the reasonableness of the pension scheme asset/ liability in conjunction with management and their advisers.• Consider the accounts disclosures to determine if they meet the disclosure requirements of FRS 102• Discuss the Actuary's report with management and any correspondence with pension specialists.• We will review scheme rules to establish whether or not the surplus reported can be recognised in the financial statements.

RSM UK Audit LLP

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Our report is prepared solely for the confidential use of [Shetland Charitable Trust](#) and solely for the purpose of explaining the scope and timing of the audit, and to highlight the significant risks and other audit areas that we will be focusing our audit work upon. This forms part of the ongoing communications we are required to make under the International Standard on Auditing (UK) 260 – Communication with those charged with governance.

For the avoidance of doubt, the auditor is not required to design audit procedures for the specific purpose of identifying matters of governance interest, nor does the audit relieve management or those charged with governance of their responsibilities. Throughout this document the terms partner and principal are interchangeable.

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

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Chief Executive: Ann Black

Registered Charity Number SC027025

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Date: 14 September 2023

Our Ref: TA2
Your Ref:

Dear Audit Engagement Partner of Shetland Charitable Trust

AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2023

This representation letter is provided in connection with your audit of the financial statements of Shetland Charitable Trust for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other Trustees and officials of the charity and other entities included in the group financial statements:

Financial Statements

1. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 12 March 2020, for ensuring that the charity and group maintains adequate accounting records and for the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
2. We confirm that the methods, significant assumptions and the data used in making accounting estimates and the related disclosures are appropriate in the context of the applicable financial reporting framework.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - a. any advances and credits granted by the charity to trustees and guarantees of any kind entered into on behalf of the trustees;

- b. the identity of the party which controls and (if different) the party which ultimately controls the charity, if any;
 - c. transactions and balances with related parties including:
 - the names of the transacting parties;
 - the nature of the related party relationship;
 - a description of the transactions;
 - the amount of the transactions;
 - the amount of outstanding balances and:
 - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - details of any guarantees given or received;
 - provisions for uncollectible receivables related to the amount of outstanding balances;
 - the expense recognised during the period in respect of bad or doubtful debts due from related parties; and
 - any other information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements.
 - d. key management personnel compensation.
4. Full disclosure is made in the financial statements of:
 - a. outstanding capital commitments contracted for at the balance sheet date;
 - b. all contingent liabilities including details of pending litigation and material claims against the charity and group;
 - c. all guarantees or warranties or other financial commitments including those given to or on behalf of other group entities.
 5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
 6. There have been no events or conditions (e.g. loss or reduction of source of income, loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the charity and group to continue as a going concern. Should such events or conditions occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the charity and group to continue as a going concern
 7. With regards to our going concern assessment we confirm that our future plans are as follows:
 We do not currently intend to change the nature, scale or focus of our operations. The charity has considerable financial resources together with long-term investments with a number of fund managers across different geographic areas and industries. As a consequence, the Trustees believe that the charity is well placed to manage its business risks successfully.
 - We confirm that we have evaluated the feasibility of the matters referred to above and consider the plans to be achievable.
 8. We confirm that our going concern assessment covers the period ending 31 March 2025.

9. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
10. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. There are no uncorrected misstatements.
11. All charities, companies and trusts controlled by the charity have been consolidated in the group financial statements.
12. All designated and restricted fund balances are correctly shown in the accounts.
13. In respect of items held at fair value and investments held at cost less impairment we confirm that the significant assumptions used, and valuation basis are appropriate at the year-end and investments are not impaired.

Information Provided

1. As agreed in the terms of engagement, we have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters including minutes of Trustees meetings and committees held between the beginning of the accounting period and the date of this letter;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the charity and group and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the charity's and group's ability to conduct its activities.

7. We have disclosed to you the identity of the charity's and group's related parties and all the related party relationships and transactions of which we are aware.
8. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
9. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms and conditions in the application of such incoming resources.
10. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
11. We confirm that we have informed you of all tax avoidance schemes used by the group.
12. We confirm that as far as we are aware:
 - no services have been provided to us or our affiliated entities by RSM network firms and their related entities that we have not already informed you of;
 - no gifts, hospitality, favours, donations or sponsorship have been exchanged between us or our affiliated entities and RSM network firms and their related entities that we have not already informed you of;
 - no employment relationships exist between us or our affiliated entities and partners or employees of RSM network firms and their related entities we have not already informed you of; and
 - no other business or personal relationships exist between us or our affiliated entities and RSM network firms and their related entities we have not already informed you of.

Charitable Status

1. We have not conducted, or permitted to be conducted any activities which call into question the charitable nature of the charity or the group.
2. There have been no communications with OSCR or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any administrative duty.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and we believe we have appropriately fulfilled those responsibilities.

To assist the auditor in complying with ISA (UK) 720 The Auditor's Responsibilities Relating to Other Information, we confirm that we have informed you of all the documents that will be communicated to the members/trustees with the annual report.

We confirm that we have taken all the steps that we ought to have taken as trustees in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of

inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on 14 September 2023

Yours faithfully

Signed on behalf of the board of Shetland Charitable Trust

Trustee

Date 14 September 2023

REPORT

To: Shetland Charitable Trust**Date:** 14 September 2023**From:** Chief Executive**Report:** CT2309023

Investment Performance Update – Three Months to 30th June 2023

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 three months to 30 June 2023.

2. Market Performance

- 2.1 Equities markets have seen growth despite current economic, geopolitical and environmental challenges. Property markets have been particularly challenging, the threat of recession, high inflation and rising interest rates putting downward pressure on growth.

3. Overall External Fund Performance

- 3.1 This report concentrates on the three months from April 2023 to June 2023. However, as the Trust is a long term investor, the report also considers the performance over one, three and five years.
- 3.2 The Trust has four fund managers with total investments under management at the end of June 2023 of £391.9 million. The funds, type of mandate and market values at the end of June 2023 are as follows:

Manager	Mandate	Market Value Jun 2023 (£m)	% of Reserves
Baillie Gifford	Active Equities	173.7	44.3
BlackRock	Passive Equities	98.1	25.0
Schroders	UK Property	74.1	18.9
Insight	Diversified Growth	46.0	11.8
Total		391.9	100.0

- 3.3 The return on the Trust's external investments over the three month period was 4.1%.
- 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 %
3 Months	4.1	1.6	2.5
1 Year	8.9	6.0	2.9
3 Years	3.6	8.5	(4.9)
5 Years	7.9	6.3	1.6

- 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 seen an upturn in performance of investments following a period of volatility for a variety of reasons.

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 three months, one year, three years and five years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	6.4	3.3	3.1
1 Year	17.5	11.3	6.2
3 Years	0.2	9.9	(9.7)
5 Years	10.7	8.9	1.8

- 4.3 Baillie Gifford returned 6.4% over the three months to 30 June 2023, compared to the broad market return of 3.3%, which was 3.1% above the benchmark return.
- 4.4 Over the three year period, Baillie Gifford have returned 0.1%, equivalent to a return of 0.2% per annum. However, over the five year period Baillie Gifford have returned 66.2%, equivalent to a return of 10.7% 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 three months, one year, three years and five years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	4.2	0.5	3.7
1 Year	14.5	10.5	4.0
3 Years	8.5	9.5	(1.0)
5 Years	5.9	5.4	0.5

5.3 The mandate with BlackRock over the three months to 30 June 2023 produced a return of 4.2%, which was 3.7% above the benchmark for the period.

5.4 Over the last three years, BlackRock have returned 27.7%, equivalent to a return of 8.5% per annum. Over the five year period BlackRock have returned 33.2%, equivalent to a return of 5.9% 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 three months, one year, three years and five years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	0.7	0.4	0.3
1 Year	(9.2)	(17.4)	8.2
3 Years	4.6	3.4	1.2
5 Years	3.3	2.2	1.1

6.3 Over the three months to 30 June 2023 Schroders have returned 0.7%, which was 0.3% above the property benchmark.

6.4 Over the last three years, Schroders have returned 14.4%, equivalent to a return of 4.6% per annum. Over the five year period Schroders have returned 17.6%, equivalent to a return of 3.3% 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 three months, one year, three years and five years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	1.4	2.1	(0.7)
1 Year	0.8	7.2	(6.4)
3 Years	2.3	5.1	(2.8)
5 Years	1.6	5.0	(2.4)

- 7.3 Over the three months to 30 June 2023 Insight have returned 1.4% over the period, which was 0.7% below the benchmark return.
- 7.4 Over the last three years, Insight have returned 7.0%, equivalent to a return of 2.3% per annum. Over the five year period Insight have returned 8.2%, equivalent to a return of 1.6% 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.

Reference: IA7

Report Number: CT2309023

REPORT

To: Shetland Charitable Trust**Date:** 14 September 2023**From:** Chief Executive**Report:** CT2309024

Management Accounts – Three Months to 30 June 2023

1 Introduction

- 1.1 The purpose of this report is to present Shetland Charitable Trust's (the Trust) Management Accounts for the three months ended 30 June 2023, 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 2023/24 and the results in the three months to 30 June 2023.

Table 1: Summary Management Accounts 2023/24

Item	Actual to Jun 2023 £m	Annual Budget £m
Income	1.1	2.5
Disbursements	(4.4)	(15.6)
Management and Administration	(0.1)	(0.9)
Fund Managers Fees	(0.4)	(1.4)
Gain/(Loss) on Investments	13.6	28.6
Total	9.9	13.2

- 2.2 A more detailed analysis of the figures above is set out in Appendix A.
- 2.3 In the three months ended 30 June 2023 the Trust made a gain on its investments of £13.6M.

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 position at the three months ended 30 June 2023 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2309024



**Shetland
Charitable Trust**

**Management Accounts
3 Months Ended 30 June 2023**

Shetland Charitable Trust
Income and Expenditure
Period to 30 June 2023

	3 Month Actual £	3 Month Budget £	Variance £	Annual Budget £
<u>Income</u>				
Managed fund dividends	-	-	-	-
Managed fund interest	819,118	500,000	319,118	2,000,000 *
Local equity gift aid	-	-	-	-
Rental income	150,710	125,000	25,710	500,000
Bank interest	-	-	-	-
Miscellaneous income	168,260	-	168,260	-
	<u>1,138,088</u>	<u>625,000</u>	<u>513,088</u>	<u>2,500,000</u>
<u>Expenditure</u>				
Disbursements	(4,379,389)			(15,577,600)
Management and administration	(89,519)	(229,250)	(139,731)	(917,000)
Fund managers	(389,977)	(342,750)	47,227	(1,371,000)
	<u>(4,858,885)</u>	<u>(572,000)</u>	<u>(92,504)</u>	<u>(17,865,600)</u>
Gain on investments	13,636,040	7,150,000	(6,486,040)	28,600,000
Surplus/(Deficit)	<u>9,915,243</u>	<u>7,203,000</u>	<u>(6,065,457)</u>	<u>13,234,400</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 30 June 2023

	Jun-23	
	£	£
Tangible fixed assets		23,000
Investments		<u>403,863,496</u>
		403,886,496
Trade debtors	36	
Prepayments and Accrued income	214,758	
Other debtors	846,024	
Bank	<u>1,597,121</u>	
	2,657,939	
Trade creditors	5,454	
Accruals and Deferred income	3,034,575	
Other creditors	<u>123</u>	
	3,040,152	
Net current assets		<u>(382,213)</u>
		403,504,283
Pension liability		(307,000)
		<u>403,197,283</u>
Opening reserves		393,282,040
Surplus for period		<u>9,915,243</u>
Closing reserves		<u>403,197,283</u>

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Shetland Charitable Trust
Rental Income
Period to 30 June 2023

	3 Month Actual £	3 Month Budget £	Variance £	Annual Budget £
Sullom Voe Site	150,710	124,875	(25,835)	499,500
Shetland Golf Course	-	125	125	500
	<u>150,710</u>	<u>125,000</u>	<u>(25,710)</u>	<u>500,000</u>

Shetland Charitable Trust
Disbursements
Period to 30 June 2023

	3 Month Actual £	Variance £	Annual Budget £
<u>Main Grant Scheme</u>			
Ability Shetland	20,000	20,000	40,000
Alzheimer Scotland	23,000	-	23,000
Clan Cancer Support	20,300	-	20,300
COPE Limited	118,200	118,200	236,400
Dogs Against Drugs	21,000	-	21,000
Gaada	22,500	22,500	45,000
Moving On	18,400	18,400	36,800
NSPCC Scotland	-	4,000	4,000
OPEN Project	16,050	16,050	32,100
Royal Voluntary Service	-	65,700	65,700
Shetland Amenity Trust	615,450	615,450	1,230,900
Shetland Arts Development Agency	358,300	358,300	716,600
Shetland Befriending Scheme - 16+	13,300	-	13,300
Shetland Befriending Scheme - CYP	27,550	27,550	55,100
Shetland Care Attendants Schme	26,500	26,500	53,000
Shetland Community Connections	17,700	-	17,700
Shetland Islands Citizen Advice Bureau	139,550	139,550	279,100
Shetland Islands Council Rural Care Model	993,100	993,100	1,986,200
Shetland Link Up	28,750	28,750	57,500
Shetland Recreational Trust	1,653,250	1,653,250	3,306,500
Shetland Women's Aid	51,250	51,250	102,500
The Compass Centre	23,400	23,400	46,800
The Swan Trust	14,500	14,500	29,000
Voluntary Action Shetland - Core	45,400	45,400	90,800
Voluntary Action Shetland - Market House	48,850	48,850	97,700
Voluntary Action Shetlnad - Carers Service	18,050	18,050	36,100
Who Cares? Scotland	17,250	17,250	34,500
<i>Sub Total Main Grant Scheme</i>	4,351,600	4,326,000	8,677,600
<u>Small Grant Scheme</u>	27,789	72,211	100,000
<u>Capital Grant Scheme</u>	-	6,800,000	6,800,000
Surplus Grants Refunded	-	-	-
Total	4,379,389	11,198,211	15,577,600

Shetland Charitable Trust
Management and Administration Expenditure
Period to 30 June 2023

	3 Month Actual £	3 Month Budget £	Variance £	Annual Budget £
Basic Pay and Allowances	77,065	106,250	29,185	425,000
Professional Membership Fees	201	125	(76)	500
Staff recruitment	-	375	375	1,500
Travel and Subsistence	50	1,500	1,450	6,000
Training and Staff Development	620	2,175	1,555	8,700
Sub Total Staffing Costs	77,936	110,425	32,489	441,700
Operating Costs				
Insurance	3,378	4,000	622	16,000
Administration	613	1,338	725	5,350
Supplies and Services	1,904	1,600	(304)	6,400
Bank Charges	20	100	80	400
Professional Fees	2,926	15,000	12,074	60,000
External Audit Fees	-	5,625	5,625	22,500
Financial advice	-	10,000	10,000	40,000
Trustees Expenses	-	250	250	1,000
Meeting expenses	735	438	(298)	1,750
Legal Fees	(2,085)	12,500	14,585	50,000
Trustee Recruitment Costs	10	625	615	2,500
Sub Total Operating Costs	7,501	51,475	43,974	205,900
Property Costs				
Energy Costs	305	2,250	1,945	9,000
Water Rates	15	375	360	1,500
Building Maintenance	-	37,750	37,750	151,000
Cleaning	390	500	110	2,000
Sub Total Property Costs	710	40,875	40,165	163,500
Bad debt write off	-	-	-	-
Reduction in Bad Debt Provision	-	-	-	-
Bought In Services				
Treasury	-	5,000	5,000	20,000
Payroll	-	163	163	650
Building Maintenance	-	12,075	12,075	48,300
Committee Services	-	1,800	1,800	7,200
Computer Services	2,214	3,000	786	12,000
Peninsula	558	688	129	2,750
Public Relations	600	3,750	3,150	15,000
Sub Total Bought In Services	3,372	26,475	23,103	105,900
Total	89,519	229,250	139,731	917,000

Shetland Charitable Trust
Investment expenses
Period to 30 June 2023

	3 Month Actual £	3 Month Budget £	Variance £	Annual Budget £
Management Expenses	40,716	-	-	- *
Northern trust fees	12,195	12,250	55	49,000
Insight investment fees	51,301	55,000	3,699	220,000
Blackrock	47,271	-	-	- *
Schroders fees	41,422	54,250	12,828	217,000
Baillie Gifford fees	197,072	221,250	24,178	885,000
	<u>389,977</u>	<u>342,750</u>	<u>40,760</u>	<u>1,371,000</u>

* Managment Expenses and BlackRock Management Fees are not invoiced. It represents expenditure that the fund managers deduct, that for Accounting purposes the Trust is required to show as expenditure.

REPORT

To: Shetland Charitable Trust

Date: 14 September 2023

From: Chief Executive

Report: CT2309025

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 2023, there were eight loans outstanding.
- 3.2 In the period 1 April 2023 to 30 June 2023, one organisation fully repaid their loan.

- 3.3 Appendix A lists the outstanding loans as at 30 June 2023.
- 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 £500,000 was approved to Fair Isle Bird Observatory Trust for the purpose of rebuilding the Fair Isle Bird Observatory. Drawdown of the loan is expected in September 2023.

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 Seven loans brought forward at 1 April 2023 remain active, with one new application for a bridging loan received this financial year.

6. Recommendation

- 6.1 Trustees are asked to note this report.

Reference: D19

Report Number: CT2309025

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid to 31/03/23 £	Due to SCT at 01/04/23 £	Repaid £ 2023/24	Due to SCT at 30/06/23 £	Notes
Loans approved 2019/20								
Hillswick Wildlife Sanctuary	428,100	366,000	366,000	279,210	86,790	-	86,790	Repayment plan implemented - £25,000 repaid August 2023
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
Scalloway Community Development Company	669,755	400,000	400,000	-	400,000	-	400,000	Extension requested - £200,000 repaid July 2023
Loans approved 2022/23								
Papa Stour History & Community Group	452,379	160,000	160,000	-	160,000	-	160,000	£100,000 repaid August 2023
Community Development Company of Nesting	112,117	100,905	100,905	-	100,905	-	100,905	Repayment expected September 2023
Whalsay Sports Development Trust	44,106	39,246	39,246	-	39,246	39,246	-	Repaid April 2023
Sandwich Carnegie Hall	39,103	26,412	26,412	-	26,412	-	26,412	Extension requested - update expected September 2023
Tingwall Agricultural Museum & Heritage Centre	13,800	9,000	9,000	-	9,000	-	9,000	Extension requested - update expected September 2023
TOTAL	1,825,360	1,155,023	1,155,023	279,210	875,813	39,246	836,567	