

Chief Executive: Dr Ann Black

22-24 North Road
Lerwick
Shetland
ZE1 0NQ

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

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

Our Ref: TA48

Date: 30 January 2024

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 8 February 2024 at 11.00am**

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

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

Yours faithfully

(signed) Dr Ann Black
Chief Executive

AGENDA

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

- (d) Confirm minutes of meeting held on 22 November 2023 (*enclosed*).

For Decision

1. Main Grant Scheme 2024/25 – Service Targets. *Report enclosed.*

For Information

2. Investment Performance Update – Nine Months to 31 December 2023. *Report enclosed.*
3. Management Accounts – Nine Months to 31 December 2023. *Report enclosed.*
4. Capital Works Bridging Loan Scheme Update. *Report enclosed.*

The following items contain **CONFIDENTIAL** information

For Decision

5. Strategy 2025-2030. *Report enclosed.*
6. Appointment of Investment Consultants. *Report enclosed.*
7. Strategic Risk Management – Annual Review. *Report enclosed*

For Information

8. Deeds Executed. *Report enclosed.*
9. Update from Chairs of Advisory Committees.
10. Update from Subsidiary Companies.

REPORT

To: Shetland Charitable Trust

Date: 8 February 2024

From: Chief Executive

Report: CT2402001

Main Grant Scheme 2024/25 - Service Targets

1. Introduction

- 1.1 The purpose of this report is to ask Trustees to approve the recommendations of the General Purposes Advisory Committee (GPAC) to issue the Grant Offer Letters for the Main Grant Scheme 2024/25. The Grant Offer Letters will set out the outcomes, activities and evaluation of the services and standards expected to be received for the grants awarded to each organisation.

2. Background

- 2.1 At their meeting on 22 November 2023, Trustees approved the Main Grant Scheme disbursements for 2024/25 (CT2311032). The budget report (CT2311027) set out the recommended budget for the 2024/25 disbursements.
- 2.2 As noted in section 3.2 of that report (CT2311032) the service outcome targets for the organisations were yet to be agreed.

3. Present Position

- 3.1 Outcomes, activities and the evaluation plans for each organisation are now being prepared.
- 3.2 For the Main Grant Scheme, the Trust has sought to move the targets away from activity based reporting to outcome based reporting. The evaluation plan for each is essential to demonstrate that these outcomes are meaningful and measurable.
- 3.3 Significant progress has been made with organisations to deliver this change in approach, and a consistent methodology is now in place. However, work will continue to improve and refine these for the next disbursement cycle.
- 3.4 The General Purposes Advisory Committee (GPAC) has oversight for the Service Targets and they are satisfied with the methodology and consistent approach adopted. The majority of these were considered by the GPAC at their meeting on 17 January 2024, and were recommended for approval.

4. Financial Implications

- 4.1 There are no financial implications as the budgets were previously agreed at the meeting on 22 November 2023 (CT2211027).
- 4.2 The Trust requires that all organisations demonstrate financial stability before the payment of their grant award.

5. Recommendation

- 5.1 The General Purposes Advisory Committee recommend Trustees approve the preparation and issue of Grant Offer Letters for the Main Grant Scheme 2024/25, noted at 3.4 above.

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

Reference: D32/5

Report Number: CT2402001

REPORT

To: Shetland Charitable Trust

Date: 08 February 2024

From: Chief Executive

Report: CT2402002

Investment Performance Update – Nine Months to 31st December 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 nine months to 31 December 2023.

2. Market Performance

- 2.1 Following the check in market value of investments in previous quarter, ending 30th September 2023, the final quarter of financial year saw the markets recover across most asset classes.
- 2.2 Real Estate / Property market within the UK is an exception to this with short term performance negatively impacted by higher interest rates and inflation.

3. Overall External Fund Performance

- 3.1 This report concentrates on the nine months from April 2023 to December 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 December 2023 of £408.8 million. The funds, type of mandate and market values at the end of December 2023 are as follows:

Manager	Mandate	Market Value Dec 2023 (£m)	% of Reserves
Baillie Gifford	Active Equities	183.5	44.9
BlackRock	Passive Equities	104.5	25.5
Schroders	UK Property	73.1	17.9
Insight	Diversified Growth	47.7	11.7
Total		408.8	100.0

- 3.3 In the year, the Trust made a net withdrawal from the fund managers of £5.0 million

- 3.4 The return on the Trust's external investments over the nine month period was 9.9%.
- 3.5 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.
- 3.6 The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against the combined benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	9.9	6.8	3.1
1 Year	18.2	10.3	7.9
3 Years	(1.4)	7.2	(8.5)
5 Years	11.0	8.5	2.6

- 3.7 Over the long term, the Trust's external investments have exceeded the composite benchmark return and have met the Financial Plan assumed return.

4. Fund Manager Performance Baillie Gifford

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

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	15.5	10.5	5.0
1 Year	30.8	15.3	15.5
3 Years	(6.5)	8.2	(14.7)
5 Years	15.8	11.7	4.1

- 4.3 Baillie Gifford returned 15.5% over the nine months to 31 December 2023, compared to the broad market return of 10.5%, which was 5.0% above the benchmark return.
- 4.4 Net withdrawal from Baillie Gifford by the Trust during the fiscal year totals £5.0 million.
- 4.5 Over the three year period, Baillie Gifford have returned minus 18.1%, equivalent to a return of minus 6.5% per annum. However, over the five year period Baillie Gifford have returned 108.6%, equivalent to a return of 15.8% per annum.

5. Fund Manager Performance BlackRock

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

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	11.0	6.5	4.5
1 Year	17.7	10.6	7.1
3 Years	7.2	8.1	(0.9)
5 Years	9.3	8.6	0.7

- 5.3 The mandate with BlackRock over the nine months to 31 December 2023 produced a return of 11.0%, which was 4.5% above the benchmark for the period.
- 5.4 Over the three year period, BlackRock have returned 23.1%, equivalent to a return of 7.2% per annum. Over the five year period BlackRock have returned 56.1%, equivalent to a return of 9.3% per annum.

6. Fund Manager Performance Schroders

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

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	(0.7)	(1.2)	0.5
1 Year	1.5	(1.4)	2.9
3 Years	3.4	2.1	1.3
5 Years	2.5	1.3	1.2

- 6.3 The mandate with Schroders over the nine months to 31 December 2023 has returned minus 0.7%, which was 0.5% above the benchmark for the period.

- 6.4 Over the three year period, Schroders have returned 10.6%, equivalent to a return of 3.4% per annum. Over the five year period Schroders have returned 12.9%, equivalent to a return of 2.5% per annum.

7. Fund Manager Performance Insight

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

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
9 Months	4.7	6.7	(2.0)
1 Year	5.5	8.8	(3.3)
3 Years	0.6	6.0	(5.4)
5 Years	2.7	5.4	(2.7)

- 7.3 The mandate with Insight over the nine months to 31 December 2023 has returned 4.7% over the period, which was 2.0% below the benchmark return.
- 7.4 Over the last three years, Insight have returned 1.9% equivalent to a return of 0.6% per annum. Over the five year period Insight have returned 14.5%, equivalent to a return of 2.7% per annum.

8. Financial Implications

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

9. Recommendations

- 9.1 Trustees are asked to note this report.

REPORT

To: Shetland Charitable Trust

Date: 08 February 2024

From: Chief Executive

Report: CT2402003

Management Accounts – Nine Months to 31 December 2023

1 Introduction

- 1.1 The purpose of this report is to present Shetland Charitable Trust's (the Trust) Management Accounts for the nine months ended 31 December 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 nine months to 31 December 2023.

Table 1: Summary Management Accounts 2023/24

Item	Actual to Dec 2023 £m	Annual Budget £m
Income	3.0	2.5
Disbursements	(10.9)	(15.6)
Management and Administration	(0.4)	(0.9)
Fund Managers Fees	(1.2)	(1.4)
Gain/(Loss) on Investments	33.9	28.6
Total	24.4	13.2

- 2.2 A more detailed analysis of the figures above is set out in Appendix A.
- 2.3 In the nine months ended 31 December 2023 the Trust made a gain on its investments of £33.9M.

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 nine months ended 31 December 2023 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2402003



Management Accounts
9 Months Ended 31 December 2023

Shetland Charitable Trust
Income and Expenditure
Period to 31 December 2023

	9 Month Actual £	9 Month Budget £	Variance £	Annual Budget £
<u>Income</u>				
Managed fund dividends	0	0	0	0
Managed fund interest	2,436,129	1,500,000	936,129	2,000,000 *
Local equity gift aid	0	37,500	-37,500	50,000
Rental income	390,461	337,500	52,961	450,000
Bank interest	0	0	0	0
Miscellaneous income	168,260	0	168,260	0
	<u>2,994,850</u>	<u>1,875,000</u>	<u>1,119,850</u>	<u>2,500,000</u>
<u>Expenditure</u>				
Disbursements	-10,912,568	-13,852,600	2,940,032	-15,577,600
Management and administration	-453,993	-687,750	233,757	-917,000
Fund managers	-1,176,406	-1,028,250	-148,156	-1,371,000
	<u>-12,542,967</u>	<u>-15,568,600</u>	<u>3,025,633</u>	<u>-17,865,600</u>
Gain on investments	33,913,545	21,450,000	12,463,545	28,600,000
Surplus/(Deficit)	<u>24,365,428</u>	<u>7,756,400</u>	<u>16,609,028</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 31 December 2023

	Dec-23	
	£	£
Tangible fixed assets		23,000
Investments		420,609,954
		<u>420,632,954</u>
Trade debtors	30	
Prepayments and Accrued income	281,705	
Other debtors	1,128,169	
Bank	602,963	
	<u>2,012,867</u>	
Trade creditors	440	
Accruals and Deferred income	4,690,790	
Other creditors	123	
	<u>4,691,353</u>	
Net current assets		<u>(2,678,486)</u>
		417,954,468
Pension liability		-307,000
		<u>417,647,468</u>
Opening reserves		393,282,040
Surplus for period		24,365,428
Closing reserves		<u>417,647,468</u>

-

Shetland Charitable Trust
Rental Income
Period to 31 December 2023

	9 Month Actual £	9 Month Budget £	Variance £	Annual Budget £
Sullom Voe Site	389,961	337,125	52,836	449,500
Shetland Golf Course	500	375	125	500
	<u>390,461</u>	<u>337,500</u>	<u>52,961</u>	<u>450,000</u>

Shetland Charitable Trust
Disbursements
Period to 31 December 2023

	9 Month Actual £	9 Month Budget £	Variance £	Annual Budget £
<u>Main Grant Scheme</u>				
Ability Shetland	40,000	40,000	-	40,000
Alzheimer Scotland	23,000	23,000	-	23,000
Clan Cancer Support	20,300	20,300	-	20,300
COPE Limited	236,400	236,400	-	236,400
Dogs Against Drugs	21,000	21,000	-	21,000
Gaada	45,000	45,000	-	45,000
Moving On	36,800	36,800	-	36,800
NSPCC Scotland	-	4,000	4,000	4,000
OPEN Project	32,100	32,100	-	32,100
Royal Voluntary Service	65,700	65,700	-	65,700
Shetland Amenity Trust	1,230,900	1,230,900	-	1,230,900
Shetland Arts Development Agency	716,600	716,600	-	716,600
Shetland Befriending Scheme - 16+	13,300	13,300	-	13,300
Shetland Befriending Scheme - CYP	55,100	55,100	-	55,100
Shetland Care Attendants Schme	53,000	53,000	-	53,000
Shetland Community Connections	17,700	17,700	-	17,700
Shetland Islands Citizen Advice Bureau	279,100	279,100	-	279,100
Shetland Islands Council Rural Care Model	1,986,200	1,986,200	-	1,986,200
Shetland Link Up	57,500	57,500	-	57,500
Shetland Recreational Trust	3,306,500	3,306,500	-	3,306,500
Shetland Women's Aid	102,500	102,500	-	102,500
The Compass Centre	46,800	46,800	-	46,800
The Swan Trust	29,000	29,000	-	29,000
Voluntary Action Shetland - Core	90,800	90,800	-	90,800
Voluntary Action Shetland - Market House	97,700	97,700	-	97,700
Voluntary Action Shetlnad - Carers Service	36,100	36,100	-	36,100
Who Cares? Scotland	34,500	34,500	-	34,500
<i>Sub Total Main Grant Scheme</i>	8,673,600	8,677,600	4,000	8,677,600
<u>Small Grant Scheme</u>	30,524	75,000	44,476	100,000
<u>Capital Grant Scheme</u>	2,226,000	5,100,000	2,874,000	6,800,000
Surplus Grants Refunded	-17,556	-	17,556	-
Total	10,912,568	13,852,600	2,940,032	15,577,600

Shetland Charitable Trust
Management and Administration Expenditure
Period to 31 December 2023

	9 Month Actual £	9 Month Budget £	Variance £	Annual Budget £
Basic Pay and Allowances	226,926	318,750	91,824	425,000
Professional Membership Fees	201	375	174	500
Staff recruitment	-	1,125	1,125	1,500
Travel and Subsistence	50	4,500	4,450	6,000
Training and Staff Development	620	6,525	5,905	8,700
Sub Total Staffing Costs	227,797	331,275	103,478	441,700
Operating Costs				
Insurance	10,135	12,000	1,865	16,000
Administration	3,635	4,013	377	5,350
Supplies and Services	3,056	4,800	1,744	6,400
Bank Charges	55	300	246	400
Professional Fees	59,389	45,000	-14,389	60,000
External Audit Fees	16,935	16,875	-60	22,500
Financial advice	-	30,000	30,000	40,000
Trustees Expenses	-	750	750	1,000
Meeting expenses	1,544	1,313	-231	1,750
Legal Fees	39,447	37,500	-1,947	50,000
Trustee Recruitment Costs	15	1,875	1,860	2,500
Sub Total Operating Costs	134,210	154,425	20,215	205,900
Property Costs				
Energy Costs	2,194	6,750	4,556	9,000
Water Rates	973	1,125	152	1,500
Building Maintenance	6,426	113,250	106,824	151,000
Cleaning	1,011	1,500	489	2,000
Sub Total Property Costs	10,605	122,625	112,020	163,500
Bad debt write off	8,552	-	-8,552	-
Bought In Services				
Treasury	15,000	15,000	0	20,000
Payroll	488	488	0	650
Building Maintenance	36,225	36,225	0	48,300
Committee Services	5,400	5,400	0	7,200
Computer Services	6,642	9,000	2,358	12,000
Peninsula	1,675	2,063	387	2,750
Public Relations	7,400	11,250	3,850	15,000
Sub Total Bought In Services	72,830	79,425	6,595	105,900
Total	453,993	687,750	233,757	917,000

Shetland Charitable Trust
Investment expenses
Period to 31 December 2023

	9 Month Actual £	9 Month Budget £	Variance £	Annual Budget £
Management Expenses	87,007	-	(87,007)	- *
Northern trust fees	36,731	36,750	19	49,000
Insight investment fees	157,266	165,000	7,734	220,000
BlackRock	149,038	-	(149,038)	- *
Schroders fees	125,898	162,750	36,852	217,000
Baillie Gifford fees	620,467	663,750	43,283	885,000
	<u>1,176,406</u>	<u>1,028,250</u>	<u>(148,156)</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: 08 February 2024

From: Chief Executive

Report: CT2402004

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 31 December 2023, four organisations fully repaid their loan.

3.3 Appendix A lists the outstanding loans as at 31 December 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.

4. Financial Implications

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

5. Conclusion

5.1 Four loans brought forward at 1 April 2023 remain active, with five approved applications for a bridging loan in the current financial year.

6. Recommendation

6.1 Trustees are asked to note this report.

Reference: D19

Report Number: CT2402004

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 31/12/23 £	Notes
Loans approved 2019/20								
Hillswick Wildlife Sanctuary	428,100	366,000	366,000	279,210	86,790	67,500	19,290	Final repayment expected March 2024
Loans approved 2021/22								
South Nesting Boating Club (SCIO)	66,000	53,460	53,460	-	53,460	25,394	28,066	Extension requested - Repayment expected December 2024
Scalloway Community Development Company	669,755	400,000	400,000	-	400,000	300,000	100,000	Extension requested - £50,000 repayment expected February 2024. Final repayment expected March 2024.
Loans approved 2022/23								
Community Development Company of Nesting	112,117	100,905	100,905	-	100,905	90,905	10,000	Repayment expected April 2024
Loans approved 2023/24								
Fair Isle Bird Observatory Trust	8,000,000	500,000	500,000			-	500,000	Repayment expected April 2024
Sandwick Youth & Community Centre	45,000	40,500	40,500			-	40,500	Repayment expected March 2024
Unst Boating & Swimming Club	280,211	217,000	217,000			-	217,000	Repayment expected August 2024
Community Development Company of Nesting	97,597	87,837	83,837			-	83,837	Repayment expected April 2024
Shetland UHI	138,411	124,570	124,570			-	124,570	Repayment expected August 2024
TOTAL	9,837,191	1,890,272	1,886,272	279,210	641,155	483,799	1,123,263	

