

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: EM/TA48

Date: 5 September 2017

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Charitable Trust
Bowlers Bar, Clickimin Leisure Complex, Lerwick
Thursday 14 September 2017 at 5.30pm**

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

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 15 June 2017 (enclosed).

For Decision

1. Shetland Charitable Trust Annual Report and Accounts for the year to 31 March 2017. Report enclosed.
2. Service Performance of Funded Organisations – Year Ending 31 March 2017. Report enclosed.
3. Update to Grant Offer Letter. Report enclosed.
4. Amendment to Administrative Regulations. Report enclosed.

For Information

5. Investment Review Report – Quarter to 30 June 2017. Report enclosed.
6. Small Grant Schemes - Approvals. Report enclosed.
7. Management Accounts – Three Months Ended 30 June 2017. Report enclosed.
8. Capital Works Bridging Loan Scheme. Report enclosed.

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

For Decision

9. Risk Management Annual Review. Report enclosed.

For Information

10. Deeds Executed. Report enclosed.
11. Update from Chairs of Advisory Committees.
12. Update from Subsidiary Companies.

REPORT

To: Shetland Charitable Trust

14 September 2017

From: Chief Executive

Report: CT1709017

Shetland Charitable Trust Annual Report and Accounts for the year to 31 March 2017

1. Introduction

- 1.1 The purpose of this report is to present the Annual Report and Accounts for the year to 31 March 2017 for approval. These are attached as Appendix A.

2. Commentary

- 2.1 Shetland Charitable Trust (the Trust) has seen an increase in funds of £31.3 million this financial year, mainly due to the gains on investments of £35.5 million. The Trusts net asset position now stands at £264.1million (2016: £232.8 million).
- 2.2 Total incoming resources were £6.6 million and total resources expended were £10.2 million.
- 2.3 Total charitable expenditure, including depreciation charges, for the year was £9.4 million (2016: 10.6 million). This reduction was partly due to a reduction in the depreciation charge in the year following the transfer of the District Heating Scheme (DHS) infrastructure to SHEAP and partly due to a reduction in disbursements in line with the Trust's disbursement plan. Further information on charitable activities is provided in the Annual Report.
- 2.4 The Trust funds invested on global markets increased this year. Investment income decreased by £0.8m, however, there was a gain on investment assets of £35.5m (2016: loss of £4.6 million). Investment management costs for the year were £745,000 (2016: £520,000). This increase is partly due to the increase in the value of the invested assets together with an increase in fees as result of 50% of the equity portfolio now being actively managed.
- 2.5 Programme related investments have increased in the year due to the transfer of the DHS assets to SHEAP and increased equity holdings in the subsidiary companies offset by the repayment of balances under the agricultural loans.

- 2.6 Gift Aid in the year totalled £2.2 million, £2.0 million of which was from SLAP (2016: £2.15 million) and £0.2 million from Shetland Heat Energy and Power Ltd (SHEAP) (2016: £0.45 million). This is a decrease of £0.4 million.
- 2.7 KPMG LLP have written a report, shown in Appendix B, which summarises the work of the auditors along with a summary of the Trusts financial position as at 31 March 2017. Bruce Marks of KPMG presented this report to the Audit and Governance Committee on Tuesday 29 August 2017.
- 2.8 The letter of representation from Trustees to KPMG, required to complete the audit, is attached as Appendix C.

3. Financial Implications

- 3.1 The Trust's net movement in funds for the year was a £31.3 million inflow (2016: £7.6 million outflow). The Trust continues to maintain a strong cash balance and has net assets at 31 March 2017 of £264.1 million (2016: £232.8 million).

4. Recommendations

- 4.1 Trustees are asked to:-
 - a) approve the Annual Report and Accounts for the year to 31 March 2017 attached as Appendix A;
 - b) authorise the Chair and the Chair of Audit and 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 KPMG LLP, the Trust's auditors, attached as Appendix B.

Reference: TA2
Date: 30 August 2017

Report Number: CT1609017

Shetland Charitable Trust

Trustees' report and consolidated
financial statements

Charity number SC027025

31 March 2017

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Chair's introduction

We have now completed the fourth year of the newly constituted Shetland Charitable Trust. One Trustee left the Trust during the year and I would like to thank him for his work during his time on the Board.

The Trust's three Advisory Committees met regularly throughout the year. The Investment Advisory Committee oversaw the implementation of the Trust's new Investment Strategy. The strategy introduces a diversified growth manager and an active equity manager where 10% and 37.5% respectively, of the Trust's reserves were invested. The remaining assets continue to be invested in passive equities (37.5%) and property (15%). At their June meeting Trustees approved the appointment of two fund managers for the new investment mandates. Insight Investment Management were appointed as the diversified growth manager and Baillie Gifford & Co. as the active equity manager. The funds were transferred to the new managers on 30 September 2016.

The General Purposes Advisory Committee reviewed the Trust's public relations and commissioned a short film and information leaflet highlighting the work of the Trust and the impact that the funded organisations have on the quality of life in Shetland. The Committee received presentations from the four largest funded organisations and monitored the service performance of all the Trust's grant recipients.

Finally, the Audit and Governance Advisory Committee, implemented the changes in governance arrangements, approved by the Trustees in May 2016. The formal reorganisation scheme was submitted to OSCR in December 2016, and was approved by OSCR on 5 April 2017. Trustees effected the changes at their meeting on 20 April 2017. This will result in the number of Selected Trustees increasing from eight to eleven and the number of Councillor Trustees on the Trust Board reducing from seven to four should Shetland Islands Council choose to continue to appoint Trustees.

I would like to take this opportunity to thank all the Trust staff for their hard work over the past year. I am also very grateful for the help and support received from all Trustees, especially the Chairs of the Advisory Committees.

R W Hunter
Chair

14 September 2017

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

Selected

R W Hunter, Chair

A B Cooper

T Macintyre

P Malcolmson

K I Massey

I R Napier

J L B Smith

G Hay (Appointed 4 June 2017)

W A Ratter (Appointed 4 June 2017)

M I Roberts (Appointed 4 June 2017)

Appointed by Shetland Islands Council

J W G Wills, Vice Chair (Resigned 20 March 2017)

M J Bell (Retired 4 June 2017)

A G L Duncan (Retired 4 June 2017)

R S Henderson (Retired 4 June 2017)

A I Manson (Retired 4 June 2017)

W A Ratter (Retired 4 June 2017)

A J Westlake (Retired 4 June 2017)

Chief Executive Dr Ann Black

Bankers Bank of Scotland
117 Commercial Street
Lerwick
ZE1 0DL

Auditor KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

Solicitors -

Governance and Charity Law	Turcan Connell Princes Exchange 1 Earl Grey Street Edinburgh EH3 9EE	Commercial	Maclay Murray & Spens LLP Quartermile One 15 Lauriston Place Edinburgh EH3 9EP
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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
31 Gresham Street
London
EC2V 7QA

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 Shetland Charitable Trust (the Trust) was established by a Deed of Trust which was registered in the Books of Council and Session on 27 September 2012.

The Trust Deed and its schedules appoint Trustees, state the charitable purposes of the Trust and also 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 reliefs received by the Trust are overseen by HM Revenue and Customs (HMRC). The Trust has to demonstrate to both these regulators, on an ongoing basis, that its activities remain charitable, and in the case of OSCR, generate public benefit.

Trustees – Appointment, Induction and Training

The Trust is made up of eight appointed Trustees recommended by a selection panel and appointed by the Trustees, and seven Councillor Trustees who are elected members of, and appointed by, Shetland Islands Council. There was one vacant selected Trustee and one vacant Councillor Trustee at the year-end. From 4 June 2017, following the review of governance, the Trust will be made up of eleven appointed Trustees recommended by a selection panel and appointed by the Trustees, and four Councillor Trustees appointed by, Shetland Islands Council.

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

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 liquid resources. 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 has been updated to reflect the changes in administration and is available through the Trust's website, www.shetlandcharitabletrust.co.uk.

Trustees' Report *(continued)*

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

Minutes

The public minutes of all meetings of the Trustees, together with the relevant reports, may be inspected during office hours, at the Trust's office at 22-24 North Road, Lerwick. The public minutes are also available electronically through the Trust's website.

Subsidiary Companies

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

Shetland Leasing and Property Developments Limited (SLAP) Susan Groat – Chair
William Manson
Michael Thomson

Shetland Heat Energy and Power Limited (SHEAP) James Armitage
Allan Wishart
Simon Collins
Derek Leask
Garry Tait

CT Shetland (TM) Limited is a dormant company whose present purpose is to register and own certification trademarks, for example knitwear trademarks.

C. T. Shetland (TM) Limited Keith Massey

SCT Renewables Limited has a 90% interest in Viking Energy Shetland LLP 'the Shetland Partner' in the Viking Energy Partnership.

SCT Renewables Limited James Smith

Risk Management

The Audit & Governance Advisory Committee has reviewed all the Trust risk's and prepared a new Strategic Risk Management Assessment. The Committee felt that the previous strategic risks should be separated into Strategic and Operational Risks and that the Operational Risks should be managed by the Chief Executive. They also identified that a number of the risks could be consolidated into a single strategic risk.

As a result of this review, a new Risk Management Assessment was presented to Trustees on 15 September 2016. The five strategic key risks are:

No.	Risk	Current Risk Level	Lead Committee
1	Poor Governance	Amber	Audit & Governance Advisory Committee
2	Poor Investment Decisions	Green	Investment Advisory Committee
3	Loss of Charitable Status	Amber	Audit & Governance Advisory Committee
4	Poor Reputation	Red	General Purposes Advisory Committee
5	Poor operation of subsidiary companies resulting in loss of earnings to the Trust	Amber	Audit & Governance Advisory Committee

Each of these Committees will take responsibility for ensuring the risk is reviewed regularly and identify the steps required to mitigate these risks. All recommendations from the Committees will be reported annually to the Board of Trustees for consideration and approval.

Trustees' Report *(continued)*

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

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

Priorities

Trustees have identified a number of priorities which link to the objects, which are set out in the Trust Deed, which is on the Trust's website. Priority will be given to supporting projects and activities which:

- contribute to a balanced provision of public services within Shetland
- support services to people in need
- support services for the elderly
- support services for children and young people
- contribute to maintaining and developing Shetland's environment

Strategic Partnerships

The Trust is a key partner in the Shetland Community Planning Partnership, which sets strategic direction for the community of Shetland. The role of the Partnership is to support and enhance community planning with particular regard for community engagement and partnership working. The Partnership also brings together those involved in working towards the outcomes of the Shetland Community Plan, to provide an effective link between strategic direction and coordinated planning.

In furtherance of its charitable activities set out in the Trust Deed, the Trust endeavours to "top up" public services, in line with the community's needs, which are complementary to those provided by national and local taxation.

The Trust wishes to ensure that the charitable activities it carries out are appropriate and complementary to those activities carried out by other community and public bodies. Rather than employ people who are experts in particular fields, the Trust seeks advice from appropriate professional bodies as to what activities it might carry out for the public benefit of the inhabitants of Shetland.

The final decision to support a project or activity lies with the Trustees. Any grant recipient is subject to "performance monitoring", which is carried out by Trust staff and reported to Trustees.

Grant Making Policy

The Trust is primarily a strategic funding body providing funding for other organisations to carry out their charitable activities and only undertakes a small amount of direct charitable activity in the Shetland community itself. The Trust can only give grants or loans in furtherance of its charitable purposes narrated in the Trust Deed and where a benefit to the Shetland community is clearly demonstrable.

Financial Objectives

Trustees have agreed to continue with the long-term financial strategy of passing the "pot" on to future generations, and so limiting annual expenditure to the average growth on the investments above inflation.

In 2015, Trustees approved a new Financial Plan to run from 1 April 2016 to 31 March 2020. The aim of this plan is to reduce the expenditure of the Trust to £8.5 million by 2020. It was felt that the maximum expenditure of £11 million in the previous financial plan did not allow the Trust to be sustainable. A budget of £9.5m has been set for the year to 31 March 2018 in line with the new Financial Plan.

Trustees' Report (continued)

Section 3: Objectives and Activities (continued)

Budgets

Each year the Trustees 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 7 and 8, with details of the actual spend in column two, and a comparison with the previous year in column three.

Section 4: Achievements and Performance

During the year to 31 March 2017, the Trust provided grant assistance to the following organisations towards the cost of providing a range of social, leisure, cultural, heritage and environmental activities:

- Citizens Advice Bureau
- COPE Ltd
- Disability Shetland
- Festivals: Folk Festival
- Royal Voluntary Service
- Shetland Link-up
- Shetland Amenity Trust
- Shetland Arts Development Agency
- Shetland Befriending Scheme
- Shetland Churches Council Trust
- Festivals: Fiddle and Accordion
- Voluntary Action Shetland
- Shetland Recreational Trust
- The Swan Trust

The Trust allows organisations which it funds to hold small reserves for unforeseen items and to help with cash flow, rather than them having to return all unspent balances to the Trust.

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 September 2015, which set out, in detail, how the Trust's money makes a difference to people and communities. On the whole, Trustees were satisfied that most organisations were performing satisfactorily against their stated targets, and there were no significant areas of concern.

The Trust also supported a range of charitable projects and schemes, as set out below:

- Rural Care Model
- Arts Grant Aid Scheme
- Senior Citizen's Clubs
- Bus Service for the Elderly and Disabled
- Local Charitable Organisations

Over the years, the Trust has invested in a range of community facilities and equipment and has in place a planned maintenance programme to ensure that the buildings, equipment and other assets are well maintained and in good condition. The facilities and assets include:

- Leisure facilities in Unst, Yell, Brae, Aith, Whalsay, Scalloway and Sandwick
- The Clickimin Complex in Lerwick
- Care centres in Unst, Yell, Whalsay, Brae, Walls and Levenwick
- The Garrison Theatre in Lerwick
- The new Museum and Archives in Lerwick
- Market House, the Voluntary Resource Centre in Lerwick
- Various offices and other buildings for local charities

Details of the activities and performance of the Trust's subsidiary companies are provided in Section 5 of this report. In summary, SLAP and SHEAP have generated profits for the Trust in 2016/17. The rental from the land at the Sullom Voe terminal also made a contribution.

Trustees' Report *(continued)*

Section 4: Achievements and Performance *(continued)*

Charitable Expenditure

	2016/17 budget £	Actual spend to 31 March 2017 £	2016 spend £
<u>Trusts over £0.5m</u>			
Shetland Amenity Trust	1,281,159	1,281,159	1,052,728
Shetland Arts Development Agency	694,878	694,878	696,038
Shetland Recreational Trust	3,303,363	3,303,363	2,518,000
<u>Other Charitable Organisations</u>			
Disability Shetland Recreation Club	12,641	12,641	12,641
The Swan Trust	53,738	53,738	44,650
Shetland Churches Council Trust	40,503	40,503	54,004
Shetland Befriending Scheme	54,418	54,418	54,418
Citizens Advice Bureau	132,265	132,265	132,265
COPE Limited	154,967	154,967	154,967
Shetland Link Up	47,994	47,994	47,994
Voluntary Action Shetland	144,361	144,361	126,461
Festival Grants	22,500	22,500	30,000
Local Charitable Organisations	14,000	11,552	11,552
Royal Voluntary Service	46,985	46,985	46,985
	<hr/>	<hr/>	<hr/>
Sub Total Organisations	6,003,772	6,001,324	4,982,703
	<hr/>	<hr/>	<hr/>

Trustees' Report *(continued)*

Section 4: Achievements and Performance (continued)

	2016/17 budget £	Actual spend to 31 March 2017 £	2016 spend £
<u>Schemes</u>			
Community Support Grants	-	-	54,144
Arts Grant Scheme	30,000	10,586	23,241
Senior Citizen's Clubs	15,000	12,598	12,336
Support to Rural Care Model	2,302,172	2,302,172	2,407,500
Buses for Elderly and Disabled	48,106	48,106	49,980
Sub Total Schemes	2,395,278	2,373,462	2,547,201
<u>Direct Schemes</u>			
Planned Maintenance	-	-	1,243,680
Sub Total Direct Schemes	-	-	1,243,680
Surplus Grants Refunded	-	(4,597)	(27,428)
Sub-total charitable expenditure	8,399,050	8,370,189	8,746,156
Trust Administration, including governance costs	699,277	647,268	575,194
Total	9,098,327	9,017,457	9,321,350

Total charitable expenditure and administration costs are shown before adjustment for pension adjustments under FRS 102 totalling £58,000.

The Planned Maintenance Scheme ceased at 31 March 2016, with grants for maintenance from 1 April 2016 being included in the revenue grants awarded to organisations.

Trustees' Report *(continued)*

Section 5: Financial Review

Growth and Unrestricted Funds

The Trust relies chiefly on funds generated by investments on the world's markets. Around £35.0 million was generated in 2016/17. This includes growth in value of the investments as well as dividend income received. In 2016/17, around £3.1 million income was derived from investments in Shetland, valued at around £28 million. These investments are in SLAP, the land at Sullom Voe Terminal and the District Heating Scheme infrastructure.

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' (see below). These two things together mean that although the general funds are shown as being in deficit in the financial statements, there are no practical consequences flowing from this.

Reserves Policy

The policy of the Trustees 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 2017) of the Trust's reserves that are invested to generate income (i.e. not the 'Donated Properties') is around £259 million. Trustees seek to minimise risk through diversification within its investments and take advice, as appropriate, in determining the mix of asset types in its investments. None of the Trust's funds are for restricted purposes. Trustees are free to determine how to apply their Unrestricted Reserves in a manner consistent with the Trust objectives and in line with its Budget Strategy.

Investments

The Trust's capital has been invested by the Trustees in three main areas:

- Shares and other securities quoted on the world's Stock Exchanges
- Cash on deposit
- Subsidiary companies

2016/17 was a good year for investment returns, achieving total returns of £39.3 million (about 19.5%).

Stock Exchanges

As at 31 March 2017, four fund managers managed the Trust's Stock Exchanges portfolio. BlackRock Global Investors manage around £86.2 million invested in passive equities (shares), Baillie Gifford & Co. manage around £87.5 million invested in active equities (shares), Insight Investment manage around £22.7 million in a diversified growth fund, and Schroders Property Managers manage around £34.8 million in commercial property.

Cash on Deposit

The Trust has entered into a Service Level Agreement with Shetland Islands Council whereby the Trust has access to the money markets at a level which it may not have been able to achieve on its own.

Subsidiary Companies

Shetland Leasing and Property Developments Limited (SLAP) is a wholly owned subsidiary of the Trust. Its main activity is the purchasing, developing and letting of about 30 properties throughout Shetland. SLAP gift aids its profits to the Trust. The property portfolio is valued at £17.6 million and it generated rental income of over £2.3 million in 2016/17. The Board of Directors resolved to make a gift aid payment of £2.0 million to the Trust in the financial year 2016/17. This mechanism means that neither body pays tax on the profits.

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 1200 customers receiving heat. The Board of Directors resolved to make a gift aid payment of £0.2 million to the Trust in the financial year 2016/17.

SCT Renewables Limited is a 100% owned subsidiary of the Trust. The Trust has invested £9.3 million at 31 March 2017. It participates in the Viking Energy project which is investigating a very large 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*.

Trustees' Report *(continued)*

Section 5: Financial Review *(continued)*

Decisions about Investments

When the Trustees 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 just how safe the money is. 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 so as 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. Trustees reviewed their long term investment strategy during the year.

After considering appropriate advice, Trustees have adopted a revised investment strategy based on a 75% in shares (37.5% actively managed and 37.5% managed passively), 15% in property and 10% in a diversified portfolio of assets. The new investment strategy was implemented in 2016/17 and seeks to maintain diversification whilst increasing average returns in the long term. Trustees have considered the legal, financial and ethical aspects of various possible socially responsible investment mechanisms.

Section 6: Plans For The Future

The Trust is currently concentrating on the financial sustainability of the Trust. The Financial Plan which has been approved aims to reduce expenditure to £8.5 million by 2020.

The Trust will also be seeking expert financial advice on the Viking Energy Project and any potential further investment by the Trust.

Finally, the Trust undertook a review of its Governance by 2017 as was agreed when the Trust was reconstituted. This review has progressed during the year and the recommendations have been approved Trustees and OSCR. The governance changes will be implemented during 2017/18.

R W Hunter
Chair

2017

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

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the 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 expenditure over income for that period. The trustees have elected to prepare the financial statements in accordance with 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charity will continue its activities.

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, those statements of accounts comply with the requirements of regulations under that Act. They 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.

319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

Independent auditor's report to the Trustees of Shetland Charitable Trust

We have audited the group and charity financial statements (the 'financial statements') of Shetland Charitable Trust for the year ended 31 March 2017 set out on pages 13 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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. 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.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 11 the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.'

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the charity's affairs as at 31 March 2017 and of the group's and charity's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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 Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- the charity has not kept proper accounting records; 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.

Bruce Marks

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

2017

Consolidated statement of financial activities

for the year ended 31 March 2017

	Note	Unrestricted funds		2017 Total £000	2016 Total £000
		General funds £000	Expendable endowment £000		
Income and endowments from					
Other trading activities	6	4,685	-	4,685	4,724
Investments		3,499	-	3,499	4,304
Rental income		907	-	907	956
Other income		2	-	2	4
Total income and endowments		9,093	-	9,093	9,988
Expenditure on					
Expenditure on raising funds	6	(2,809)	-	(2,809)	(2,344)
Investment Management		(745)	-	(745)	(520)
Provision made against equity investment	6	(89)	-	(89)	(127)
Charitable activities	2	(9,075)	(284)	(9,359)	(10,627)
Total expenditure		(12,718)	(284)	(13,002)	(13,618)
Net gains/(losses) on investments		-	35,516	35,516	(4,555)
Net income/(expenditure)		(3,625)	35,232	31,005	(8,185)
Other recognised gains and losses					
Actuarial (losses)/gains in defined benefit pension scheme	17	(602)	-	(602)	435
Net movement in funds		(4,227)	35,232	31,005	(7,750)
Fund balances brought forward	13, 12	(6,866)	244,814	237,948	245,698
Fund balances carried forward		(11,093)	280,046	268,953	237,948

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 18 to 36 form a part of the financial statements.

Trust statement of financial activities

for the year ended 31 March 2017

	Note	Unrestricted funds		2017	2016
		General funds £000	Expendable endowment £000	Total £000	Total £000
Income and endowments from					
Income from investments		3,499	-	3,499	4,304
Other trading activities (Gift Aid receipts from subsidiary undertakings)	6	2,186	-	2,186	2,581
Rental income		907	-	907	956
Other income		2	-	2	2
Total income and endowments		6,594	-	6,594	7,843
Expenditure on:					
Expenditure on raising funds		(745)	-	(745)	(520)
Provision made against equity investment	6	(94)	-	(94)	(133)
Charitable activities	2	(9,075)	(284)	(9,359)	(10,627)
Total expenditure		(9,914)	(284)	(10,198)	(11,280)
Gains/(Losses) on investment assets	12	-	35,516	35,516	(4,555)
Net income/(expenditure)		(3,320)	35,232	31,912	(7,992)
Other recognised (losses)/gains					
Actuarial losses in defined benefit pension scheme	17	(602)	-	(602)	435
Net movement in funds		(3,922)	35,232	31,310	(7,557)
Total funds brought forward		(12,009)	244,814	232,805	240,362
Fund balances carried forward		(15,931)	280,046	264,115	232,805

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 18 to 36 form a part of the financial statements.

Consolidated balance sheet

as at 31 March 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Tangible assets	4		22,789		23,585
Investments	5	231,189		199,681	
Programme-related investments	6, 7	7,108		6,791	
			<u>238,297</u>		<u>206,472</u>
Total fixed assets			<u>261,086</u>		<u>230,057</u>
Current assets					
Stocks		41		28	
Debtors	8	1,102		1,621	
Cash at bank and in hand	9	10,302		9,477	
			<u>11,445</u>	<u>11,126</u>	
Total current assets			<u>11,445</u>	<u>11,126</u>	
Creditors: amounts falling due within one year	10	<u>(1,637)</u>		<u>(1,790)</u>	
Net current assets			<u>9,808</u>		<u>9,336</u>
Total assets less current liabilities			<u>270,894</u>		<u>239,393</u>
Provisions for liabilities and charges	11		<u>(2)</u>		<u>(166)</u>
Net assets excluding pension liability			<u>270,892</u>		<u>239,227</u>
Pension liability	17		<u>(1,939)</u>		<u>(1,279)</u>
Net assets including pension liability			<u>268,953</u>		<u>237,948</u>
Represented by:					
Expendable endowment	12		280,046		244,814
Unrestricted income funds:	13				
General funds			(13,992)		(10,730)
Trading funds			4,427		5,014
Revaluation reserve			411		129
			<u>(9,154)</u>		<u>(5,587)</u>
Unrestricted income funds excluding pension reserve			<u>(1,939)</u>		<u>(1,279)</u>
Pension reserve	13		<u>(1,939)</u>		<u>(1,279)</u>
Total unrestricted income funds	13		<u>(11,093)</u>		<u>(6,866)</u>
Total group funds			<u>268,953</u>		<u>237,948</u>

These financial statements were approved by the trustees on 14 September 2017 and were signed on their behalf by:

R W Hunter
Chair

K I Massey
Trustee

The notes on pages 18 to 36 form a part of these financial statements.

Trust balance sheet

as at 31 March 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Tangible assets	4		493		4,766
Investments	4, 5	231,189		199,681	
Programme-related investments	6, 7	27,599		23,298	
			<u>258,788</u>		<u>222,979</u>
Total fixed assets			259,281		227,745
Current assets					
Debtors	8	2,411		3,335	
Cash at bank and in hand		4,617		3,525	
			<u>7,028</u>	<u>6,860</u>	
Total current assets		7,028		6,860	
Creditors: amounts falling due within one year	10	(255)		(521)	
			<u>6,773</u>	<u>6,339</u>	
Net current assets			6,773	6,339	
Net assets excluding pension liability			266,054	234,084	
Pension liability	17		(1,939)	(1,279)	
			<u>264,115</u>	<u>232,805</u>	
Net assets including pension liability			264,115	232,805	
Represented by:					
Expendable endowment	12		280,046		244,814
Unrestricted income funds:					
General funds	13		(13,992)		(10,730)
Pension reserve	13		(1,939)		(1,279)
			<u>(15,931)</u>		<u>(12,009)</u>
Total unrestricted income funds	13		(15,931)		(12,009)
			<u>264,115</u>		<u>232,805</u>
Total Trust funds			264,115		232,805

These financial statements were approved by the trustees on 14 September 2017 and were signed on their behalf by:

R W Hunter
Chair

K I Massey
Trustee

The notes on pages 18 to 36 form a part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2017

Cash flows from operating activities	<i>Note</i>	2017	2016
		£000	£000
Net outgoing resources before other recognised gains and losses		(3,909)	(3,630)
<i>Adjustments for:</i>			
Loss on sale of fixed assets		85	258
Investment income and interest receivable		(3,499)	(4,304)
Depreciation and impairment of tangible fixed assets	4	1,004	2,009
Revaluation of investment properties	4	-	(281)
Movement in pension liability, excluding actuarial gains and losses	13	58	89
Realised (losses)/gains on managed fund investments	5	(9,749)	6,358
Gains/(losses) on investment assets		35,516	(4,555)
Provisions made on equity investments	6	89	127
Movement in agricultural loans	7	44	50
(Increase)/Decrease in stock		(13)	10
Decrease in debtors	8	519	1,742
(Decrease)/Increase in creditors	10	(153)	134
Decrease in provisions	11	(164)	(57)
		<hr/>	<hr/>
Net cash flow from operating activities		19,818	(2,050)
		<hr/>	<hr/>
Cash flow from investment activities			
Purchase of managed funds investments	5	(107,856)	(12,237)
Purchase of tangible fixed assets	4	(293)	(99)
Purchase of shares within joint venture	6	(450)	(2,250)
Sale of managed funds investments	5	84,317	11,529
Net movement in cash flows attributable to managed fund investments	5	1,790	1,680
		<hr/>	<hr/>
Net cash flow from investing activities		(22,492)	(1,377)
		<hr/>	<hr/>
Cash flow from financing activities			
Investment income and interest received		3,499	4,304
		<hr/>	<hr/>
Net cash flow from financing activities		3,499	4,304
		<hr/>	<hr/>
Net increase in cash and cash equivalents		825	877
Cash and cash equivalents at 1 April	9	9,477	8,600
		<hr/>	<hr/>
Cash and cash equivalents at 31 March	9	10,302	9,477
		<hr/> <hr/>	<hr/> <hr/>

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).

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 19.

1.2 Basis of consolidation

These financial statements consolidate the assets and liabilities of the charity and its subsidiaries, Shetland Leasing and Property Developments Limited, Shetland Heat Energy and Power Limited, and SCT Renewables Limited (formerly known as Viking Energy Limited), 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.

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 Leasing and Property Developments Limited, Shetland Heat Energy and Power Limited, and SCT Renewables Limited, adjusted to remove interest payable by the Trust to those companies and gift aid payments to the Trust by those companies.

1.4 Income and endowments from other trading activities and rental income

Turnover in Shetland Leasing and Property Development Limited comprises rental income from the leasing of investment properties, the leasing of an aeroplane and the chartering of a vessel and arises entirely in the United Kingdom. Rental income from the operating lease of investment properties is recognised on a straight line basis over the period of the lease. Certain of the group's property developments and lease agreements provide for a notional rate of interest to be charged on development costs for the purpose of calculating the rental due. Such notional interest is not reflected in these financial statements, but will effectively be credited to the statement of financial activities over the lives of the relevant assets as a component of rental income.

Notes (continued)

1 Accounting policies (continued)

1.4 Income and endowments from other trading activities and rental income (continued)

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.

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.

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 recognition 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 in the balance sheet and credited to activities for generating funds over the estimated useful economic lives of the assets to which they relate.

Notes (continued)

1 Accounting policies (continued)

1.8 Investments

Managed funds 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, with the exception of investment properties.

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
Vessel and aircraft	-	10 years or 20 years

The asset value of the Sullom Voe site is being depreciated over its estimated remaining economic life of ten years commencing 1 April 2012, and the district heating scheme infrastructure is depreciated over a period of 30 years commencing on 1 April 2004. The depreciation is charged to the expendable endowment. The district heating scheme infrastructure was transferred to Shetland Heat Energy and Power Limited on 30 September 2016 and depreciation is charged to their profit and loss account using the same depreciation method. No depreciation is provided in respect of freehold land.

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

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- No depreciation is provided in respect of investment properties applying the fair value model, except for a charge in relation to Scatsta Airport. The directors have assumed that this property will have a nil residual value, due to its specialised nature, when the current lease expires and the value is therefore being written down in line with that lease.

Investment property is carried at fair value. Revaluation surpluses and deficits are recognised in the statement of financial activities. Deferred taxation is provided on these gains.

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, except when the investment property has a limited useful life and the objective of the company's business model is to consume substantially all of the value through use. 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.

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.

Notes (continued)

1 Accounting policies (continued)

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:

	2017 £000	2016 £000
General funds		
Payments to charitable organisations	6,001	4,983
Schemes	2,374	2,547
Direct schemes	-	1,244
Charitable grants repaid	(5)	(28)
	<hr/>	<hr/>
Total charitable grants	8,370	8,746
Support costs, including governance costs (below)	647	575
Pension adjustments	58	89
	<hr/>	<hr/>
Total charitable expenditure – general funds	9,075	9,410
	<hr/>	<hr/>
Expendable endowment		
Depreciation	284	1,217
	<hr/>	<hr/>
Total resources expended on charitable activities	9,359	10,627
	<hr/> <hr/>	<hr/> <hr/>

Some payment from the Arts Grant Scheme are made to individuals. All other grants are payable to organisations. 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 £523,000 (2016: £471,000) principally represent administration expenses and are all deemed to be attributable to the group's charitable activities. Included within administration expenses is £362,150 (2016: £492,000) in respect of staff costs (see note 3), of which £124,578 (2016: £252,704) was charged to subsidiaries.

Governance costs

Governance costs totalling £124,000 (2016: £105,000) comprise the costs associated with the Trust's compliance with charity regulation and good practice. They include £29,000 (2016: £29,000) 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 £26,000 (2016: £26,000).

Notes (continued)

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

	Group and charity	
	Total 2017 £000	Total 2016 £000
Allocation of staff and support costs, including Trustees' allowance and expenses (see note 3)	29	29
Other costs	69	50
External auditor's remuneration:		
Audit of these financial statements	26	26
Audit of subsidiary undertakings (excluded from charitable governance costs)	17	18
Other services: taxation in relation to subsidiary undertakings	9	12
Total governance costs	124	105

3 Staff numbers and costs

The group had an average of 13 employees during the year (2016: 13). The aggregate payroll cost of these employees was as follows:

	2017 £000	2016 £000
Wages and salaries	467	413
Social security costs	48	33
Pension costs	60	65
	575	511

Employee costs totalling £124,578 (2016: £252,704) were charged by Shetland Charitable Trust in respect of work performed by its subsidiary companies. Seven 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.

One employee (2016: one) received emoluments totalling between £80,000 and £89,999. Retirement benefits are accruing to this member of staff under a defined benefit pension scheme; contributions in 2016/17 totalled £13,779. No other employees received emoluments totalling in excess of £60,000 in either the current or previous financial year.

Included above are the emoluments paid to key management personnel comprising 5 employees totalling £315,509 (2016: 5 employees totalling £225,855) including £29,121 (2016: £17,199) in social security costs and £35,008 (2016: £29,326) in pension contributions.

Expenses totalling £4,095 (2016: £4,296) were reimbursed or paid on behalf of 4 trustees (2016: 5 trustees) during the year.

Notes (continued)

4 Tangible fixed assets

Group	Land and buildings £000	District heating scheme infrastructure £000	Investment properties £000	Vessel and aircraft £000	Other plant and machinery and AUC £000	Total £000
Cost or valuation						
At beginning of year	25,434	17,137	18,703	865	2,644	64,783
Additions	-	-	102	-	191	293
Disposals	-	-	(85)	-	-	(85)
At end of year	25,434	17,137	18,720	865	2,835	64,991
Depreciation						
At beginning of year	24,777	13,028	663	524	2,206	41,198
Charge for year	164	234	462	33	111	1,004
At end of year	24,941	13,262	1,125	557	2,317	42,202
Net book value						
At 31 March 2017	493	3,875	17,595	308	518	22,789
At 31 March 2016	657	4,109	18,040	341	438	23,585

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.

Investment properties are based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The last independent valuation being as at 31 March 2017. The Directors review the valuations annually.

The valuations, which are provided by a qualified chartered surveyor, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Any gain or loss arising from a change in fair value is recognised in the statement of financial activities. Rental income from investment property is accounted for as described in the income and endowments from other trading activities accounting policy.

The historical cost net book value of investment properties, gross of impairment, at 31 March 2017 is £27,883,000 (net of impairment: £25,430,000).

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	District heating scheme infra- structure £000	Total £000
Cost				
At beginning and end of year	16,275	9,159	17,137	42,571
Disposals (see note 4)	-	-	(17,137)	(17,137)
At end of year	16,275	9,159	-	25,434
Depreciation				
At beginning of year	15,825	8,952	13,028	37,805
Charge for year	75	89	120	284
Disposals	-	-	(13,148)	(13,148)
At end of year	15,900	9,041	-	24,941
Net book value				
At 31 March 2017	375	118	-	493
At 31 March 2016	450	207	4,109	4,766

5 Managed funds

Group and Charity	2017 Market Value £000	2017 Cost £000	2016 Market Value £000	2016 Cost £000
Listed investments:				
UK Government securities	-	-	14,020	12,919
Other UK fixed interest	-	-	30,487	28,090
Other Overseas fixed interest	-	-	15,731	11,823
	-	-	60,238	52,832
UK equities	43,339	38,801	52,651	55,394
Overseas equities	130,332	98,911	52,905	30,852
Diversified Investment Fund units	22,662	22,002		
Property units	34,808	29,130	32,669	26,554
	231,141	188,844	138,225	112,800
Total investments	231,141	188,844	198,463	165,632
Cash on deposit and in hand	48	48	1,218	1,511
	231,189	188,891	199,681	167,143

Notes (continued)

5 Managed funds (continued)

	2017 £000	2016 £000
<i>Reconciliation of market value of investments</i>		
Market value at beginning of year	199,681	207,011
Investments purchased	107,856	12,237
Investments sold	(84,317)	(11,529)
Total realised gains/(losses) on managed fund investments	9,759	(6,358)
Movement in investment managers' cash balances, accrued income and expenses	(1,790)	(1,680)
	<hr/>	<hr/>
Market value at end of year	231,189	199,681
	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2017, 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:

	2017 Market value £000	2017 Cost £000	2016 Market value £000	2016 Cost £000
Insight Investment Management	22,662	22,002	60,846	53,733
BlackRock Global Investors	86,200	57,861	105,567	86,257
Baillie Gifford	87,487	79,866	-	-
Schroders Property Managers	34,840	29,162	33,268	27,153
	<hr/>	<hr/>	<hr/>	<hr/>
	231,189	188,891	199,681	167,143
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6 Programme-related investments

	Group		Charity	
	2017 £000	2016 £000	2017 £000	2016 £000
Equity (below)	6,951	6,590	27,442	23,097
Loans (note 7)	157	201	157	201
	<hr/>	<hr/>	<hr/>	<hr/>
	7,108	6,791	27,599	23,298
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

On 30 September 2016, Shetland Charitable Trust made a capital contribution by transferring the tangible fixed asset infrastructure for the District Heating Scheme to Shetland Heating Energy and Power Limited.

Notes (continued)

6 Programme-related investments (continued)

Equity – Group	Shares in subsidiary undertakings £000	Unlisted investments £000	Total £000
<i>Cost</i>			
At beginning of year	7,407	626	8,033
Additions	450	-	450
	<hr/>	<hr/>	<hr/>
Cost at end of year	7,857	626	8,483
	<hr/>	<hr/>	<hr/>
<i>Provisions</i>			
At beginning of year	817	626	1,443
Provided in year	89	-	89
	<hr/>	<hr/>	<hr/>
Provisions at end of year	906	626	1,532
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2017	6,951	-	6,951
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2016	6,590	-	6,590
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
			Investments in subsidiary undertakings £000
<i>Equity – Charity</i>			
<i>Cost</i>			
At beginning of year			25,387
Additions			4,439
			<hr/>
Cost at end of year			29,826
			<hr/>
<i>Provisions</i>			
At beginning of year			2,290
Provided in year			94
			<hr/>
Provisions at end of year			2,384
			<hr/>
<i>Net book value</i>			
At 31 March 2017			27,442
			<hr/> <hr/>
At 31 March 2016			23,097
			<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 Leasing and Property Developments Limited (SLAP), Shetland Heat Energy and Power Limited (SHEAP) and SCT Renewables Limited (SCT R). The trading results of these companies are summarised below:

	2017 SLAP £000	2017 SHEAP £000	2017 SCT R £000	2017 Total £000	2016 Total £000
Turnover	2,285	2,400	-	4,685	4,724
Cost of sales	(150)	(1,163)	-	(1,313)	(1,258)
Gross profit	2,135	1,236	-	3,372	3,466
Administration expenses	(207)	(975)	(5)	(1,187)	(912)
Revaluation of investment properties	-	-	-	-	282
Depreciation on investment properties	(464)	-	-	(464)	(663)
Provision made against equity investment	-	-	(89)	(89)	(127)
Operating profit/(loss)	1,464	261	(94)	1,631	2,046
Gain/(loss) on disposal of investment properties	(32)	-	-	(32)	47
Interest receivable and similar income	20	4	-	24	103
Profit/(loss) on ordinary activities before taxation	1,452	265	(94)	1,623	2,196
Tax on profit/(loss) on ordinary activities	-	(14)	-	(14)	57
Profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial year	1,452	251	(94)	1,609	2,253
Gift aid payment to Shetland Charitable Trust	(1,986)	(200)	-	(2,186)	(2,581)
Retained (loss)/profit for the year after Gift Aid payment	(534)	51	(94)	(577)	(328)

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:

	2017 Total £000	2016 Total £000
Cost of sales	1,313	1,258
Administration expenses	1,187	912
Revaluation of investment properties	-	(282)
Depreciation on investment properties	464	663
Tax (credit)/charge on profit on ordinary activities	(163)	(57)
Profit on disposal of investment properties	32	(47)
Interest receivable and similar income	(24)	(103)
	<u>2,809</u>	<u>2,344</u>

Included within the companies' profit/(loss) for the year is a total of £2,185,880 (2016: £2,580,725) payable to the Trust by way of gift aid from SLAP and SHEAP which has been eliminated within the consolidated statement of financial activities.

The assets and liabilities of the subsidiaries were:

	2017 SLAP £000	2017 SHEAP £000	2017 SCT R £000	2017 Total £000	2016 Total £000
Tangible fixed assets	17,906	4,388	-	22,294	18,819
Investments	-	-	6,951	6,951	6,590
Current assets	4,529	2,070	6	6,605	7,086
Current liabilities	(2,186)	(1,377)	(5)	(3,568)	(4,078)
Provisions for liabilities and charges	(178)	(2)	-	(180)	(177)
Total net assets	<u>20,071</u>	<u>5,079</u>	<u>6,952</u>	<u>32,102</u>	<u>28,240</u>
Called up share capital	15,500	1,000	9,337	25,837	25,387
Profit and loss account	4,441	204	(2,385)	2,260	2,723
Capital contribution reserve	-	3,875	-	3,875	-
Revaluation reserve	130	-	-	130	130
Total reserves	<u>20,071</u>	<u>5,079</u>	<u>6,952</u>	<u>32,102</u>	<u>28,240</u>

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, 139 Fountainbridge, Edinburgh EH3 9FF.

7 Programme-related investments – Loans

	2017 £000	2016 £000
Group and charity		
Agricultural Ten Year Loan Scheme	160	206
Provisions for doubtful debts	(3)	(5)
	<u>157</u>	<u>201</u>

Notes *(continued)*

8 Debtors

	Group		Charity	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade debtors	686	673	2	2
Amounts owing from subsidiary undertakings	-	-	2,190	2,574
Prepayments and accrued income	281	882	219	693
Other debtors:	135	-	-	-
Programme-related loans	-	66	-	66
	<u>1,102</u>	<u>1,621</u>	<u>2,411</u>	<u>3,335</u>

9 Cash and cash equivalents

Group	2017	2016
	£000	£000
Cash at bank and in hand	10,302	9,477
	<u>10,302</u>	<u>9,477</u>

10 Creditors: amounts falling due within one year

	Group		Charity	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade creditors	1,202	263	35	141
Rents in advance	76	75	-	-
Corporation tax	-	-	-	-
Other tax and social security	-	12	-	12
Other creditors and accruals	359	1,440	220	178
Amounts owing to subsidiary undertakings	-	-	-	190
	<u>1,637</u>	<u>1,790</u>	<u>255</u>	<u>521</u>

Notes *(continued)*

11 Provisions for liabilities and charges

Group	Deferred taxation £000
At beginning of year	166
Credit for the year	(164)
Effect of increased tax rates	-
	<hr/>
At end of year	2
	<hr/> <hr/>

The deferred tax liability arising within the Trust's subsidiary companies at the year-end of £2,000 (2016: £166,000) is analysed as follows:

Group	Assets 2017 £000	2016 £000	Liabilities 2017 £000	2016 £000	Net 2017 £000	2016 £000
Accelerated capital allowances	-	(12)	2	178	2	166
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax (assets) / liabilities	-	(12)	2	180	2	166
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12 Expendable endowment

	Group Total £000	Charity Total £000
At beginning of year	244,814	244,814
Outgoing resources	(284)	(284)
Gain/(Losses) in the year	35,516	35,516
	<hr/>	<hr/>
At end of year	280,046	280,046
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

13 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	(10,730)	5,014	(1,279)	129	(6,866)
Net movement in funds	(3,262)	(587)	(58)	282	(3,625)
Actuarial (losses)/gains	-	-	(602)	-	(602)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	(13,992)	4,427	(1,939)	411	(11,093)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Charity	General funds £000	Pension reserve £000	Total unrestricted income funds £000
At beginning of year	(10,730)	(1,279)	(12,009)
Net incoming resources before other recognised gains and losses	(3,262)	(58)	(3,320)
Actuarial(losses)/gain	-	(602)	(602)
	<hr/>	<hr/>	<hr/>
At end of year	(13,992)	(1,939)	(15,931)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

14 Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	12	32
Between one and five years	49	49
More than five years	219	231
	<hr/>	<hr/>
	280	312
	<hr/> <hr/>	<hr/> <hr/>

During the year £22,875 was recognised as an expense in the consolidated statement of financial activities in respect of operating leases (2016: £32,177).

Investment properties are let under operating leases. The minimum lease payments receivable under non-cancellable leases are £1,953,000 less than one year, £4,194,000 between two and five years and £13,302,000 greater than 5 years.

15 Commitments

Capital commitments

SHEAP's contractual commitments to purchase tangible fixed assets at the year-end were £Nil (2016: £Nil).

16 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.

17 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 2016 and was updated for FRS 102 purposes to 31 March 2017 by a qualified independent actuary.

	2017 £000	2016 £000
Net pension liability defined benefit obligation	(5,193)	(4,018)
Fair value of plan assets	3,402	2,868
	<hr/>	<hr/>
Unfunded defined benefit obligations	(1,791) (148)	(1,150) (129)
	<hr/>	<hr/>
Net pension liability	(1,939)	(1,279)
	<hr/> <hr/>	<hr/> <hr/>

Movements in present value of defined benefit obligation:

	2017 £000	2016 £000
At 1 April	4,147	4,492
Current service cost	67	107
Interest cost	145	144
Actuarial (gains)/losses	1,074	(487)
Contributions by members	20	26
Benefits paid	(112)	(135)
	<hr/>	<hr/>
At 31 March	5,341	4,147
	<hr/> <hr/>	<hr/> <hr/>

Movements in fair value of plan assets:

	2017 £000	2016 £000
At 1 April	2,868	2,867
Expected return on plan assets	100	91
Actuarial (losses)/gains	472	(52)
Contributions by employer	54	71
Contributions by members	20	26
Benefits paid	(112)	(135)
	<hr/>	<hr/>
At 31 March	3,402	2,868
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

17 Pension scheme *(continued)*

Expenditure recognised in the statement of financial activities:

	2017	2016
	£000	£000
Current service cost	(67)	(107)
Interest cost	(45)	(53)
	<hr/>	<hr/>
Total	(112)	(160)
	<hr/> <hr/>	<hr/> <hr/>

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

	2017	2016
	£000	£000
Charitable activities – support costs	(112)	(160)
	<hr/>	<hr/>

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

	2017	2016
	£000	£000
Actuarial (losses)/gains	(1,074)	487
Return on assets attributed to the Charity excluding interest income	472	(52)
	<hr/>	<hr/>
	(602)	435
	<hr/> <hr/>	<hr/> <hr/>

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

	2017	2016
	Fair value	Fair value
	£000	£000
Equities	2,756	2,209
Corporate bonds	272	287
Property	374	372
	<hr/>	<hr/>
	3,402	2,868
	<hr/> <hr/>	<hr/> <hr/>
Actual return on plan assets	576	41
	<hr/> <hr/>	<hr/> <hr/>

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.

Notes *(continued)*

17 Pension scheme *(continued)*

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

	2017	2016
	%	%
Discount rate	2.6	3.5
Future salary increases	4.4	4.2
Inflation / pension increase rate	2.4	2.2

In valuing the liabilities of the pension fund at 31 March 2017, 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: 22.8 years (male), 23.8 years (female).

Future retiree upon reaching 65: 24.9 years (male), 26.7 years (female).

The Trust expects to contribute approximately £48,000 (2016: £65,000) to its defined benefit plans in the next financial year to 31 March 2017.

18 Related parties

In the year to 31 March 2017 the SCT Renewables Limited invested £450,000 (2016: £2,250,000) in Viking Energy Shetland LLP in which SCT Renewables Limited is a 90% partner.

In the year to 31 March 2017 Shetland Leasing and Property Developments Limited charged Viking Energy Shetland LLP £9,894 (2016: £10,132) in relation to office rental. The transactions were carried out at normal market rates. There was no balance due at 31 March 2017 (2016: £nil).

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.

19 Accounting estimates and judgements

Key sources of estimated 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 applied around depreciation and pension valuation assumptions.

The Trustees exercise judgement to determine useful lives and residual values of property, plant and equipment. 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.

Notes *(continued)*

19 Accounting estimates and judgements *(continued)*

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 2017, assumptions have been made. The latest full actuarial valuation was carried out at 31 March 2016 and was updated for FRS 102 purposes to 31 March 2017 by a qualified independent actuary. The assumptions used are consistent with those prescribed for FRS 102.

The directors of SHEAP believe that the major judgements applied are around the bad debt provision and depreciation rates. 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 level of bad debts provision required based on its knowledge of customers and past experience.

The directors of SLAP consider that critical accounting judgements are applied in relation to the valuation of investment properties and depreciation.

Investment properties are held at fair value which is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The valuer exercises judgement in assessing the expected rental value and yield of each property and the directors are required to consider whether such valuations are appropriate on an annual basis.

As set out in note 1.10, no depreciation is provided on investment properties applying the fair value model, except for a charge in relation to Scatsta Airport. The directors have assumed that this property will have a nil residual value, due to its specialised nature, when the current lease expires and the value is therefore being written down in line with that lease.



Shetland Charitable Trust



Audit highlights memorandum and management letter

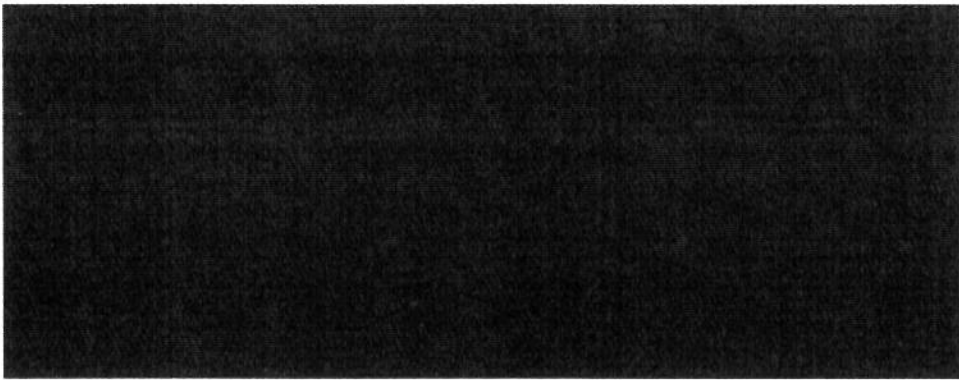
Audit: year ended 31 March 2017

25 August 2017



Shetland
Charitable Trust

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This report is presented under the terms of our audit engagement letter.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

Basis of preparation

We have prepared this Audit Committee Report (Report) in accordance with our audit engagement letter dated 23 March 2015.

Purpose of this report

This Report is made to the Trustees of Shetland Charitable Trust in order to communicate matters of interest as required by ISAs (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

Restrictions on distribution

This Report is subject to disclosure restrictions as set out in our Engagement Letter.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Trust's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors reporting to the Trust's members in accordance with the Charities and Trustees Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

Our responsibility for other information in the Trust's Annual Report and Financial Statements does not extend beyond the financial information identified in our auditor's report. We have no obligation to perform any procedures to corroborate other information contained in those documents. However, prior to approval and signing we will continue to read the other information included in the Trustees' Report, and confirm that the information given, and the manner of its presentation, is materially consistent with the information, and its manner of presentation, with the consolidated financial statements.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is substantially complete although matters communicated in this Report may change pending signature of our audit report.

Executive summary

Audit conclusions		
	<ul style="list-style-type: none"> We anticipate issuing an unqualified audit opinion on the 2016-2017 financial statements for the Trust and the subsidiaries which we audit, following their approval by the Trustees and shareholders. 	Page 4
Accounting matters		
	<ul style="list-style-type: none"> No significant accounting issues arose during the course of our audit of the Trust or the subsidiary companies. Overall, we are satisfied with the key accounting judgments taken. The most significant areas of judgment relate to the valuation of programme-related investments, and the valuation of the net pension liability under FRS 102. 	Page 4
Auditing matters		
	<ul style="list-style-type: none"> No significant audit issues arose during the course of our audit of Shetland Charitable Trust (SCT) or the subsidiaries which we audit. No significant regulatory or tax matters came to our attention during the course of our normal audit work. 	Page 4
Systems and controls		
	<ul style="list-style-type: none"> No control deficiencies were identified only minor improvement points were identified and communicated to management. No major weaknesses in the financial systems were identified as a result of our audit procedures, although additional discussions were held relating to the segregation of duties, especially within the subsidiaries. 	-
Financial position		
	<ul style="list-style-type: none"> The group recorded net outgoing resources of £3.9 million (2016: £3.6 million) and a net inflow of funds of £31.0 million (2016: net outflow of £7.8 million) after recognising gains/losses on managed fund investments partially offset by actuarial losses/gains on the pension scheme. The Trust recorded net outgoing resources of £3.6 million in the year, after charging £0.3 million depreciation in respect of its fixed assets. After accounting for other gains and losses in respect of managed fund investments and the pension scheme, the net inflow of funds was £31.3 million (2016: outflow of £7.6 million). The underlying financial position of the group remains strong, with net assets including the pension liability of £268.95 million (Trust: £264.1 million). 	Page 5
Mandatory communications		
	<ul style="list-style-type: none"> No significant matters to report in respect of (i) audit differences; (ii) auditor independence and non-audit fees; and (iii) management representation letter content. 	Appendix 1

Significant risks and other focus areas

Significant risks

Risk	Why	Audit approach
<p>We considered the assumed significant risks of management override of controls and fraudulent revenue recognition within our audit procedures.</p> <p>All such matters have been adequately concluded and reflected in the financial statements.</p>	<p>Professional standards require us to make a rebuttable presumption over fraud risk from management override of controls as a significant risk as management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> We have not identified any specific additional risks of management override relating to the audit of the Group. Our audit methodology incorporates the risk of management override as a significant risk. This includes testing of journals at the year end and throughout the year, review of unusual transactions in the year, enquiries with employees outside the finance department, tests of unpredictability and controls testing including higher level controls.
<p>Fraud risk from income recognition</p>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>We have considered the primary income sources, including investment income, gift aid from subsidiary companies and rental income.</p> <p>There is limited judgement over the various revenue streams and the transactions are not deemed to be overly complex. Therefore we do not consider there to be a significant risk over revenue recognition and have therefore rebutted the fraud risk.</p>	<p>The potential for revenue to be incorrectly recognised will be addressed through testing of controls and substantive procedures. This includes:</p> <ul style="list-style-type: none"> cut-off testing to confirm that transactions have been recorded in the correct accounting period; controls testing, including higher level and cash receipting controls; testing of journals at the year end and during the year; review of unusual transactions in the year; enquiries of employees in the finance department; and tests of unpredictability.

Significant risks and other focus areas

Focus area	Why	Audit approach
Investments	<p>There is a risk over valuation of the managed fund investments and programme-related investments.</p>	<p>We obtain third party confirmations in respect of managed fund investments. In respect of the programme-related investments, our audit work is focussed to ensure that the carrying value of these investments reflects the net assets of the individual investments, with any impairment required appropriately charged to the Trust's statement of financial activities.</p>
Pensions	<p>SCT accounts for its participation in the Shetland Islands Council local government pension scheme in accordance with FRS 102 28: Employee Benefits, and therefore recognises the actuarial valuation of the net pension liabilities in respect of its share of the pension scheme.</p> <p>The Trust's actuaries use membership data and a number of assumptions in their calculations based on market conditions at the year end, including a discount rate to derive the anticipated future liabilities back to the year end date and assumptions on future salary increases.</p> <p>FRS 102 requires the discount rate to be set by reference to high quality (i.e. AA) corporate bond yields of equivalent term to the liabilities.</p>	<p>Our audit approach to pensions includes:</p> <ul style="list-style-type: none"> • review of the financial assumptions underlying the actuary's calculations and comparison to our central benchmarks; • Reviewing the allocation of assets given to SCT for reasonableness; • testing of the level of contributions used by the actuary to those actually paid during the year; • testing membership data the actuary used to the Trust's records; and • agreement of actuarial reports to the disclosures in the financial statements.



Financial Statements and Accounting

Our perspective on the preparation of the
financial statements and key accounting
judgements made by management

Financial statements and accounting

Audit conclusions

The Trust has maintained appropriate arrangements over the preparation of its 2016–17 financial statements.

We have satisfactorily concluded our audit work and expect to issue an unqualified audit opinion on the financial statements of the Trust.

Audit conclusions

Our audit work on the financial statements of the Trust is substantially complete, pending the receipt of management representations and the update of our subsequent events work to the date of signing of the financial statements. Following approval of the financial statements by the Trustees, we expect to be able to issue an unqualified audit opinion on the truth and fairness of the state of the group's and the Trust's affairs as at 31 March 2017, and of the group's and the Trust's incoming resources for the year then ended. There are no matters identified on which we are required to report by exception.

In gathering the evidence for our opinion we have:

- held initial planning meetings in March 2017 with management responsible for the processing of financial transactions;
- identified materiality for planning purposes at £200,000, and designed appropriate audit procedures according to our materiality assessment;
- during our onsite audit fieldwork in June and July 2017, performed a mix of substantive and controls testing to ensure an efficient approach that covers the identified risks;
- reviewed assumptions and judgements made by management and considered these for appropriateness; and
- considered if the financial statements may be affected by fraud through discussions with senior management to gain a better understanding of their work in relation to prevention and detection of fraud with the potential to impact on the financial statements.

Financial statements preparation

- The standard of documentation and analysis to support the draft financial statements of the Trust and subsidiary companies which we audit was satisfactory and there was evidence of accountability and ownership of working papers across the finance teams.
- Unadjusted audit differences are included in the management representation letter and are explained further on page 14.
- Consolidated balances for the group financial statements were compiled after our initial period on site and are now being finalised.
- This year the audit of 100% owned subsidiary Shetland Leasing and Property Developments Limited (SLAPD) was carried out by RSM. As the results of this company are fully consolidated into the Trust financial statements we have performed procedures in line with ISA 600 in relation to the work of component auditors and requested group reporting from RSM. As at the date of this report this has been received in draft. Final reporting is expected to follow shortly as we believe the financial statements have now been signed.

Financial statements and accounting

Trust financial position

The Trust generated a net inflow in funds for the year of £31.3 million (2016: outflow of £7.6 million).

The decrease in funds on the prior year is primarily due to the poor financial performance of funds in global markets.

The figures shown relate solely to the Trust's financial position and are not consolidated.

Financial position

The Trust's net movement in funds for the year was a £31.3 million inflow. This headline figure is significantly higher than the £7.6 million deficit in the prior year which was a result of a large gain on managed fund investments in the current period.

Investment income and expenditure

Investment income has decreased by £805,000 in the year, however, there has been a gain on investment assets of £35.5 million from the Trust's managed funds in the year. At 31 March 2016 equity values were trading at relative lows which reversed during the year to 31 March 2017.

Investment management costs have increased significantly in the year. This is due to the change in investment to hold actively managed funds which has brought about the increased investment returns during the year. The Trust pays its investment management costs by invoice.

Gift aid from subsidiaries

Gift aid in the year has decreased by £395,000. This is a result of the results of the subsidiary companies reducing in the year.

Expenditure on charitable activities

Charitable activities expenditure declined by £1,268,000 compared to prior year, there has been a reduction in the depreciation charge in the year due to the transfer of the District Heating System Infrastructure (DHS) to SHEAP, as well as a number of donated assets becoming fully written down during the year. Further to this, there has been a reduction in direct scheme costs, in line with the agreed budget to reduce charitable expenditure by 17.5% in the four year period to 2020..

	2016-17	2015-16
	£000	£000
Investment income	3,499	4,304
Gift aid from subsidiary companies	2,186	2,581
Rental and other income	909	958
Total incoming resources	6,594	7,843
Investment management costs	(745)	(520)
Provision made against equity investment	(94)	(133)
Charitable activities	(9,359)	(10,627)
Total resources expended	(10,198)	(11,280)
Gains/(losses) on investments assets	35,516	(4,555)
Net expenditure/income	31,912	(7,992)
Actuarial (loss)/gain in defined benefit pension scheme	(602)	435
Net movement in funds	31,310	(7,557)

Source: Draft financial statements

Financial statements and accounting

Trust financial position (continued)

The net movement in funds for the year of £31.3 million (2016: net movement of £7.6 million) has resulted in an increase of the Trust's net asset position.

The figures shown relate solely to the Trust's financial position and are not consolidated.

Financial position

Fixed assets

Tangible fixed assets have reduced in the year by £4.3 million, due to the transfer of the DHS infrastructure to SHEAP and the annual depreciation charge. There have been no additions in the year.

Investments

The Trust's managed funds have increased by £31.5 million as a result of stock market movements in the year.

Programme related investments

Programme related investments have increased due to the transfer of the DHS assets to SHEAP and an increase in the investment in SCTR of £0.4 million (after provisions).

Current assets and liabilities

Debtors have decreased from the prior year due to the reduction in accrued gift-aid receipts from subsidiaries and accrued interest due to the change in investment strategy. Creditors due within one year have decreased compared with the prior year due to the elimination of amounts owed to SHEAP relating to a historical overpayment of gift-aid. In addition to this, there has been a reduction in amounts owed to Shetland Islands Council due to a reduction in services provided by the Council to the Trust during the year.

Going concern

The Trust has net assets at the balance sheet date of £264 million, an increase of £31.2 million from 2016. The Trust continues to maintain a strong cash balance and its subsidiary companies SLAPD and SHEAP remain profitable. SLAPD and SHEAP forecast further gift aid payments in the coming financial periods and the trusts ongoing programme of funding and cost savings continues to go to plan. SCT Renewables Limited made a loss of £94,000 in the year. The Trust has net current assets at the year end of £6.8 million. This is due to an increase in cash of £1,092,000 and an decrease in creditors of £266,000 offset by an decrease in debtors of £924,000.

	2016-17 £000	2015-16 £000
Tangible fixed assets	493	4,766
Investments	231,189	199,681
Programme related investments	27,599	23,298
Debtors	2,411	3,335
Cash	4,617	3,525
Creditors	(255)	(521)
Pension liability	(1,939)	(1,279)
Net assets	264,115	232,805

Source: Draft financial statements

Pension liability

The net pension liability has increased by £660,000 in the year, resulting from the updated actuarial valuation of the Trust's share of the Shetland Islands Council defined benefit pension scheme. The main reason for the increased liability is the change in the Discount Rate used.

Financial statements

Subsidiary companies

Our audit work over SHEAP is now complete and we await have received draft reporting and await final reporting from RSM in relation to the audit of SLAPD.

We intend to issue an unqualified opinion on SHEAP.

Area	Audit of subsidiary companies KPMG comment
Subsidiary companies' structure and operations – SLAPD and SHEAP	<p>Shetland Leasing and Property Development Limited ("SLAPD")</p> <p>The audit of the financial statements of SLAPD was carried out this year by RSM. We have received draft reporting from RSM and conducted a review of their audit file in line with ISA 600. The financial statements of SLAPD were signed on 22 August 2017 by the directors and the audit report was signed on 24 August 2017. We believe they have raised three unadjusted audit differences with a net effect of nil on the profit and loss account but we await final reporting from RSM before we finalise the consolidated financial statements.</p> <p>Shetland Heat Energy and Power Limited ("SHEAP")</p> <p>SHEAP made a profit before gift aid and tax of £265,000. A gift aid payment of £200,000 was made in respect of the profits generated. The company continues to operate at capacity numbers for customers and the decrease in revenue is a result of the warmer weather in the winter months compared with the prior year..</p> <p>There were no significant accounting judgements made by the directors in the preparation of the financial statements. We identified six audit misstatements during the course of our audit work, in addition to the final tax note adjustments made on completion of the draft tax computations for the year.</p> <p>All misstatements were appropriately corrected for inclusion within the financial statements with the exception of the holiday pay adjustment which is not material (see appendix 4). The net effect on the profit and loss account of the adjusted audit differences is £59,000 reduction in profit.</p> <p>Internal controls tested for the purposes of our financial statements audit appear to be designed, implemented and operating effectively.</p>

Financial statements

Subsidiary companies (continued)

Our audit work over SCTR is now complete and an unqualified audit opinion is intended to be issued.

Our audit work over VES LLP is substantially complete pending completion of our finalisation procedures and the receipt of an appropriate representation letter.

Audit of subsidiary companies	
Area	KPMG comment
Subsidiary companies' structure and operations – SCTR and Viking	<p>SCT Renewables Limited ("SCTR")</p> <p>SCTR represents the Trust's interests in Viking Energy Shetland LLP ("VES LLP"), which itself is the partner along with SSE Viking Limited in the Viking Energy project.</p> <p>SCTR made a loss of £94,000 in 2016-17, resulting from a provision in the company's investment in VES LLP of £89,000 and administration expenses of £5,000. No gift aid payment is expected to the Trust while the Viking project remains in its developmental stage. The company invested a further £0.45 million in VES LLP in the year.</p> <p>Viking Energy Shetland LLP ("VES LLP")</p> <p>VES LLP made a loss of £99,000 in the year, resulting from expenditure incurred in the year. The partnership invested a further £800,000 in Viking Energy Partnership ("VEP") in the year. We note that the Viking project has not moved on much in the year and it very much rests on government policy. However, there is no clear evidence at the moment that the project will not go ahead.</p>



APPENDICES

1. **Mandatory communications**
2. **Adjusted and unadjusted audit differences**
3. **Auditor independence**
4. **Management representation letter**

Appendix one

Mandatory communications

Area	Key content	Reference
<p>Draft management representation letter</p> <p>Proposed draft of letter to be issued by the Trust to KPMG prior to audit sign-off</p>	<p>We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2017.</p>	<p>Appendix 3</p>
<p>Unadjusted audit differences</p> <p>Audit differences identified that we do not consider material to our audit opinion</p>	<p>There was one unadjusted differences identified for SCT and one for SHEAP in relation to Holiday pay which is required to be accrued under FRS 102.</p>	<p>Appendix 4</p>
<p>Adjusted audit differences</p> <p>Adjustments made as a result of our audit</p>	<p>There were a number of audit differences identified during the course of our audit work across the group that management decided to update the financial statements for. None of which had a material impact on the consolidated results.</p>	<p>Appendix 5</p>
<p>Related parties</p>	<p>There were no significant matters that arose during the audit in connection with the entity's related parties although we note it is good practice for management to include on their register of interests a list of Trustees spouses and dependents and their interests for completeness.</p>	<p>-</p>
<p>Other matters warranting attention by those charged with governance</p>	<p>There were no matters to report in respect of material weaknesses or questions of management integrity or fraud involving management.</p>	<p>-</p>
<p>Disagreement with management</p>	<p>There have been no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the Group's consolidated financial statements. We encountered no fundamental difficulties in dealing with management in performing the audit.</p>	<p>-</p>
<p>Consultation with other accountants</p>	<p>To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of applicable regulatory guidance.</p>	<p>-</p>

Appendix two

Auditor independence

Auditing Standards require us to consider and confirm formally our independence and related matters in our dealings with the Trust.

We have appropriate procedures and safeguards in place to enable us to make the formal confirmation in our letter included opposite.

To the Board of Directors

Assessment of our objectivity and independence as auditor of Shetland Charitable Trust (the Trust)

Professional ethical standards require us to communicate to you as part of planning all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of partner and the audit team. This letter is intended to comply with this requirement although we will communicate any significant judgements made about threats to objectivity and independence and the appropriateness of safeguards put in place.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications

- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the company and its affiliates for professional services provided by us during the reporting period.

We have detailed the fees charged by us to the company and its related entities for significant professional services provided by us during the reporting period in the attached appendix, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted

Total fees charged by us for the period ended 31 March 2017 can be analysed as follows:

	Current year £000	Prior year £000
Audit of Trust	15.4	15.0
Audit of Subsidiaries	12.1	15.8
Total Audit *	27.5	30.8
Tax Compliance Services	5.5	8.9
Other non-audit services	1.3	9.0
Total non-audit services	6.8	17.9
Total Fees *	34.3	48.7

* Note this does not include the audit fee charged to the joint venture Viking Energy Shetland LLP

The ratio of non-audit fees to audit fees for the year was 0.58:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Appendix two

Auditor independence

Auditing Standards require us to consider and confirm formally our independence and related matters in our dealings with the Trust. We have appropriate procedures and safeguards in place to enable us to make the formal confirmation in our letter included opposite.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table.
Analysis of Non-audit services for the year ended 31 March 2017

Disclosure of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee [ie fixed time and materials/contingent]	Value of Services Committed but not yet delivered
Tax compliance assistance with the completion of the corporation tax return	Self review and management	Work performed by a team separate from the audit team. Services do not result in any material judgements within the financial statements. Management remain responsible for any decisions.	Fixed fee	£5,460
Other non-audit	Includes XBRL tagging of financial statements	Services do not result in any material judgements within the financial statements. Management remain responsible for any decisions. XBRL work performed by a team separate from the audit team.	Fixed fee	£1,300

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the members of the LLP and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Management representation letter

KPMG LLP
391 St Vincent Street
Glasgow
G2 2LJ

[] 2017

Dear Sirs

This representation letter is provided in connection with your audit of the Group and parent Trust financial statements of Shetland Charitable Trust ("the Trust"), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Group and parent Trust's affairs as at 31 March 2017 and of the Group's surplus or deficit for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)); and
- iii. whether the financial statements have been prepared in accordance with the Charities Act 2011.

These financial statements comprise the Group and Parent Trust Balance Sheet, the Group Statement of Financial Activities, the Group Cash Flow Statement, and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Trustees confirm that the representations they make in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Trustees confirm that, to the best of their knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing themselves:

Financial statements

1. The Trustees have fulfilled their responsibilities, as set out in the terms of the audit engagement dated 23 March 2015 and variation letter dated 9 February 2016, for the preparation of financial statements that:

- i. give a true and fair view of the state of the Group and parent Trust's affairs as at the end of its financial year and of the Group's surplus or deficit for that financial year;
 - ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)); and
 - iii. have been prepared in accordance with the Charities Act 2011.
- The financial statements have been prepared on a going concern basis.

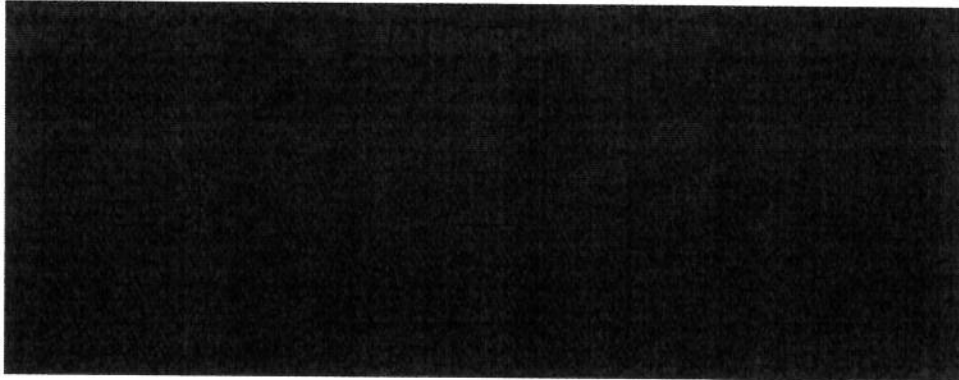
The Board of Trustees confirm that the Trust meets the definition of a qualifying entity and meets the criteria for applying the disclosure exemptions with Financial Reporting Standard 102.

In particular the Board of Trustees confirms that it has notified its members in writing and they have not objected to the use of the permitted disclosure exemptions that the Board of Trustees has taken when preparing the financial statements applying Financial Reporting Standard 102.

2. Measurement methods and significant assumptions used by the Trustees in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which section 32 of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland requires adjustment or disclosure have been adjusted or disclosed.

Management representation letter (continued)



Information provided

4. The Trustees have provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Trustees for the purpose of the audit; and
 - unrestricted access to persons within the Group and the Trust from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Trustees confirm the following:
 - i. The Trustees have disclosed to you the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii. The Trustees have disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Trust 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; and
 - b) allegations of fraud, or suspected fraud, affecting the Trust's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Trustees acknowledge their responsibility for such internal control as they determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Trustees acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Trustees 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 the financial statements.
 8. The Trustees have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements, in accordance with section 21 of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
 9. The Trustees have disclosed to you the identity of the Group and the Trust's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with section 33 of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.
- Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

10. The Trustees confirm that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Trust's ability to continue as a going concern as required to provide a true and fair view.
 - b) No events or circumstances have been identified that may cast significant doubt on the ability of the Group and Trust to continue as a going concern.
11. On the basis of the process established by the Trustees and having made appropriate enquiries, the Trustees are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with their knowledge of the business and in accordance with the requirements of section 28 of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Appendix three

Management representation letter (continued)

The Trustees further confirm that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Trustees on [date].

Yours faithfully

[Chair of Trustees]

[Trustee]

[Optional cc: Audit Committee]

Appendix to the Trustees' Representation Letter of Shetland Charitable Trust: Definitions

Criteria for applying the disclosure exemptions within Financial Reporting Standard 102

- The Trust's members have been notified in writing about, and do not object to, the use of the disclosure exemptions
- The Trust discloses in the notes to its financial statements:
 - A brief narrative summary of the disclosure exemptions adopted; and
 - The name of the parent of the group in whose consolidated financial statements its financial statements are consolidated, and from where those financial statements may be obtained

Financial Statements

A complete set of financial statements comprises:

- Group and parent Trust Balance Sheet as at the end of the period;
- Group Statement of Financial Activities for the period;
- Group Cash Flow Statement for the period; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

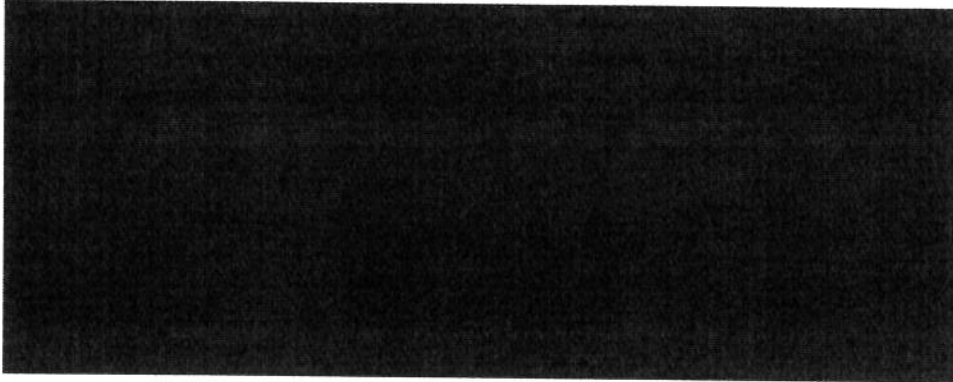
Material Matters

Certain representations in this letter are described as being limited to matters that are material.

FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland states that:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or combination of both, could be the determining factor.

Management representation letter (continued)



Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions apply:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Appendix four

Unadjusted audit differences

Under UK auditing standards (ISA UK&I 260) we are required to provide those charged with governance with a summary of unadjusted audit differences identified during the course of our audit.

Unadjusted audit differences (£)				
No.	Detail	Statement of financial activities Dr/(Cr)	Balance sheet Dr/(Cr)	Comments
1	Dr SOFA Cr Accruals	20,412	20,412	Being the holiday pay obligation for Trust employees at year end.
2	Dr SOFA Cr Accruals	6,260	6,260	Being the holiday pay obligation for employees of SHEAP at year end.

The contacts at KPMG in connection with this report are:

Bruce Marks

Director

Tel: +44 (0)141 300 5594

bruce.marks@KPMG.co.uk

Deborah Ramsay

Senior Manager

Tel: +44 (0)141 300 5677

deborah.ramsay@KPMG.co.uk

Scott Cassidy

In-charge

Tel: +44 (0)141 228 4272

scott.cassidy@KPMG.co.uk



KPMG



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Chief Executive: Ann Black

KPMG LLP
St Vincent Plaza
319 St Vincent Street
Glasgow
G2 5ASOur Ref: BH/TA2
Your Ref:

Registered Charity Number SC027025

22-24 North Road
Lerwick
Shetland
ZE1 0NQ

Telephone: 01595 744994

mail@shetlandcharitabletrust.co.uk
www.shetlandcharitabletrust.co.ukIf calling please ask for:
Raymond Mainland

Direct Dial: 01595 744994

Date: 14 September 2017

Dear Sirs,

This representation letter is provided in connection with your audit of the Group and parent Charity financial statements of Shetland Charitable Trust ("the Charity"), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Group and parent Charity's affairs as at 31 March 2017 and of the Group's surplus or deficit for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)); and
- iii. whether the financial statements have been prepared in accordance with the Charities Act 2011.

These financial statements comprise the Group and Parent Charity Balance Sheet, the Group Statement of Financial Activities, the Group Cash Flow Statement, and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Trustees confirm that the representations they make in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Trustees confirm that, to the best of their knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing themselves:

Financial statements

1. The Trustees have fulfilled their responsibilities, as set out in the terms of the audit engagement dated 23 March 2015 and variation letter dated 9 February 2016, for the preparation of financial statements that:

- i. give a true and fair view of the state of the Group and parent Charity's affairs as at the end of its financial year and of the Group's surplus or deficit for that financial year;
- ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS 102); and
- iii. have been prepared in accordance with the Charities Act 2011.

The financial statements have been prepared on a going concern basis.

The Board of Trustees confirm that the Charity meets the definition of a qualifying entity and meets the criteria for applying the disclosure exemptions with FRS 102.

In particular the Board of Trustees confirms that it has notified its members in writing and they have not objected to the use of the permitted disclosure exemptions that the Board of Trustees has taken when preparing the financial statements applying FRS 102.

2. Measurement methods and significant assumptions used by the Trustees in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which section 32 of FRS 102 requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.]

Information provided

5. The Trustees have provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Trustees for the purpose of the audit; and
 - unrestricted access to persons within the Group and the Charity from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Trustees confirm the following:
 - i. The Trustees have disclosed to you the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii. The Trustees have disclosed to you all information in relation to:
- a) Fraud or suspected fraud that it is aware of and that affects the Charity 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; and
 - b) allegations of fraud, or suspected fraud, affecting the Charity's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Trustees acknowledge their responsibility for such internal control as they determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Trustees acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Trustees 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 the financial statements.
9. The Trustees have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements, in accordance with section 21 of FRS 102, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Trustees have disclosed to you the identity of the Group and the Charity's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with section 33 of FRS 102.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in FRS 102.

11. The Trustees confirm that:
 - a) [The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the charity's ability to continue as a going concern as required to provide a true and fair view.
 - b) No events or circumstances have been identified that may cast significant doubt on the ability of the Group and Charity to continue as a going concern.]
12. On the basis of the process established by the Trustees and having made appropriate enquiries, the Trustees are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with their knowledge of the business and in accordance with the requirements of section 28 of FRS 102.

The Trustees further confirm that:

- a) all significant retirement benefits, including any arrangements that are:
- statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,
- have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Trustees on 14 September 2017.

Yours faithfully,

Bobby Hunter
Chair, SCT

REPORT

To: Shetland Charitable Trust

14 September 2017

From: Chief Executive

Report number CT1709019

Service Performance of Funded Organisations – Year Ending 31 March 2017

1. Introduction

1.1 The Purpose of this Report is to present Trustees with information regarding the service performance of various organisations to which the Trust provides funding, in the revised format agreed in 2016.

2. Background

2.1 Trustees may recall that as part of the budgeting process, staff are required to determine:

- the strategic service framework within which any bid for funding from the SCT should be considered;
- an appropriate level and standard of service to be provided and express that in a Service Statement or Service Level Agreement (as appropriate);
- the appropriate cost at which to buy that service with due regard to comparable information and funding from other sources; and
- an appropriate monitoring and evaluation framework to ensure that services are being delivered to the required standard.

2.2 The Grant Offer Letter, which organisations sign up to prior to any money being released, states that, *“the Grantee provides service performance reports as required for the proper monitoring of the grant, the reports to be of a format and frequency to be agreed by the Charitable Trust”*.

Depending on the size of the organisation, and other factors, the information can be requested quarterly, six monthly or on an annual basis.

3. Present Position

- 3.1 Comprehensive information is provided by each organisation, which is then scrutinised by the Trust.
- 3.2 Appendix A is a summary of the detailed service performance reports provided by all the organisations funded by the Trust, in the agreed new format.
- 3.3 The summary reports in Appendix A are presented in a consistent format and captures the key service and financial performance information for the organisations.

4. Financial Implications

- 4.1 There are no financial implications arising from this Report.

5. Conclusions

- 5.1 In terms of performance, there are no major issues of concern with regard to service delivery to report to Trustees. The Trust continues to work closely with organisations throughout the year to help ensure maximum benefits to Shetland and its inhabitants.

6. Recommendations

- 6.1 It is recommend that Trustees:
 - a) Consider the content of Appendix A;
 - b) Highlight issues or areas where Trustees might wish to receive further information or clarification; and
 - c) Otherwise, note the satisfactory service performance of the organisations that received funding from Shetland Charitable Trust.

Reference: DA1
Date: 4 September 2017

Report No: CT1709019

Shetland Recreational Trust

PURPOSE:

To provide a wide range of leisure and sport activities and facilities at 8 locations throughout Shetland.

The facilities are professionally operated, well maintained to a high standard with appropriate opening hours.

The facilities are seen as places for whole communities to meet, socialise and play.

They are a major attraction for local residents and an important factor in attracting tourists.

KEY TARGETS:

1. Opening hours achieved:

	12 Months Target	12 Months Actual	Difference
Clickimin Leisure Complex	4,900	5,023	+123
Scalloway Pool	2,625	2,794	+169
Rural Leisure Centres	19,725	19,663	-62
Totals	27,250	27,480	+230

2. Admissions achieved:

	12 Months Target	12 Months Actual	Difference
Clickimin Leisure Complex	380,000	400,803	+20,803
Scalloway Pool	33,000	42,835	+9,835
Rural Leisure Centres	236,500	258,406	+21,906
Totals	649,500	702,044	+52,544

3. Other Service Targets

Service Area	Target 2016/17	Actual 2016/17	Difference No.	Difference %
General Subscriptions	400	462	+62	+15.5
Corporate Subscriptions	470	586	+116	+24.7
Swimming Classes & Courses	26,000	37,100	+11,100	+42.7
Sport and Exercise Classes	25,000	55,126	+30,126	+ 120.5
Senior Leisure Club Attendances	3,200	3,049	-151	-4.7
Health Promoting Class Attendances	1,470	1,675	+205	+ 13.9
Partnership Events	6	12	+6	+100
Case Studies	8	10	+2	+25

PERFORMANCE SUMMARY

The total opening hours of 27,480 is 230 above target. The total admissions of 702,044 are 52,544 (8.1%) above target. The Clickimin Leisure Complex admissions of 400,803 are 20,803 (5.5%) above target. This increase can be attributed to the increase in Gold subscriptions and the inclusion of the classes in this subscription. Also the successful first three months of business from the 60:40 was also a factor in the overall actual figures.

Shetland Recreational Trust (SRT) achieved all their key performance targets. SRT received total funding in 2016/17 of £3,303,363 and operated within their agreed budgets.

Shetland Arts Development Agency

PURPOSE:

To encourage, support, inspire, promote, develop and deliver activities in the fields of: dance; drama; theatre; film; literature; music; crafts; and visual arts with a view to the advancement of arts and culture and improving the quality of life for the inhabitants of the Shetland Isles.

- Exhibitions by local, national and international artists and makers at Bonhoga
- Promote and support Visual Arts
- Promote and support Crafts development
- Provide Drama development opportunities
- Develop Dance activities
- Promote and support Literature development
- Promote and support Music development
- Encouraging Film and Digital Media development
- Encourage performances at Mareel and the Garrison Theatre

KEY TARGETS

Target Areas	Target	Actual	Difference %
Concerts / Screenings / Exhibition days	3,000	4,784	+59.5
Audience attendances	160,000	205,858	+28.7
Development sessions	1,300	1,929	+48.4
Participations	9,000	19,220	+113.6

Priority Area 1 : Youth Arts – 8 Concerts / Screenings / Exhibition days
- 554 Audience attendances
- 79 Development Sessions
- 1,027 Participants

Priority Area 2 : Education & Learning - 8 Concerts / Screenings / Exhibition days
- 209 Audience attendances
- 1,115 Development Sessions
- 7,629 Participants

Priority Area 3 : Arts & Wellbeing - 1 Concerts / Screenings / Exhibition days
- 15 Audience attendances
- 219 Development Sessions
- 1,536 Participants

Priority Area 4 : Development & Support – 43 Development Sessions
- 943 Participants

Priority Area 5 : Programme, Commissioning & Curation – 4,767 Concerts / Screenings / Exhibition days
- 205,080 Audience attendances
- 295 Development Sessions
- 7,027 Participants

Priority Area 6 : Recording, Broadcasting & Intellectual Property - 178 Development Sessions
- 1,058 Participants

PERFORMANCE SUMMARY

Overall audience attendances figures totalled 205,858. Events and attendances were generally above target on the priority areas identified by Shetland Arts Development Agency (SADA).

SADA achieved all their key performance targets. Any potential over delivery is currently being reviewed by SADA and will decrease as core funding is reduced. SADA received total funding in 2016/17 of £696,038 and operated within budget.

Shetland Amenity Trust

PURPOSE:

To provide core funding to support the organisational and staffing costs, to support the diverse range of services and enable the Trust to lever in additional funding.

Shetland Amenity Trust will continue to deliver an effective, holistic service which embraces all aspects of Shetland's cultural and natural heritage. The service supports, encourages and facilitates the sound management and sustainable development of Shetland's natural and cultural resources and facilitate access, both intellectual and physical, thereto for all.

KEY TARGETS:

Funding provided by Shetland Charitable Trust (SCT) support the following areas of Shetland Amenity Trust's (SAT) activities:

- Finance, Administration and Management
- Interpretation
- Natural Heritage
- Archaeology
- Place Names
- Environmental Improvement
- Woodlands

Targets have been revised for 2016/17 to provide a better qualitative and quantitative assessment of performance. Some of the key achievements for 2016/17 are detailed below.

Achievements

- Four year Follow the Vikings transnational European project in progress.
- Funding of £31,800 was secured from Historic Environment Scotland for the Mapping Shetland project. This is a year-long project to digitally map site extents of archaeological sites with 5,746 areas mapped in the year.
- Publication of the 17th Viking Congress volume, "Shetland and the Viking World".
- Network of 19 heritage organisations supported through annual running cost grants.
- 404 planning applications screened during the period by Biological Records Centre (SBRC).
- SBRC database now holds over 292,000 records.
- The Shetland Peatland Restoration project received a Nature of Scotland Award, Highly Commended in the Innovation category.
- 84,914 visitors were received at Shetland Museum and Archives (SMAA).
- SMAA's lifelong learning programme delivered sessions to all ages, including therapeutic sessions for people coping with dementia.
- 249 end of life vehicles uplifted, depolluted and Certificates of Destruction issued.
- Two tonnes of aluminium recycled with 55 community groups participating in the Cash for Cans scheme.
- Over 4,600 volunteers took part in Da Voar Redd Up.
- Maintenance program delivered across Trust owned properties and Architectural Heritage team managed the conservation works at Lerwick Town Hall.

PERFORMANCE SUMMARY

SAT continues to deliver a wide range of services in the heritage sector. Many of its activities are not directly supported by SCT funding, but do receive support indirectly through funding for SAT's Finance, Administration and Management functions..

SAT reported progress against all their 2016/17 grant award targets, other than those highlighted above. SAT received total funding on 2016/17 of £1,281,159. SAT had a material overspend in the year, which they have indicated will be recovered as part of the restructuring exercise they are undertaking as their core funding reduces.

Royal Voluntary Service

PURPOSE:

To enable older people to get more out of life by delivering practical support and a range of community based services tailored to individual need.

KEY TARGETS:

Achieve a 5% increase in the number of service user interactions with a baseline of 7,348.

- 14,250

Achieve a 5% increase growth in the number of passenger journeys, based on a baseline figure of 8,185.

- 6753

Continue 2 established lunch clubs – Cunningsburgh & Quarff and Islesburgh.

- Attendance through year, 6,196 with 5,212 meals provided

Increase attendance on a baseline figure of 26 for Cunningsburgh & Quarff and a baseline figure of 24 for Islesburgh.

- 19 for Cunningsburgh & Quarff
- 21 for Islesburgh

Increase the range of activities offered. This includes:

- The provision of an escort for the SCT funded bus service to the Islesburgh club;
- To continue offering a range of activities, developing the social aspects of the Islesburgh club, on a minimum of two days per week.

Continue 5 social clubs – Burra, Sandwick, Walls, Whalsay and Northmavine.

- Achieved

Achieve a 5% increase on current volunteer number of 54.

- 48

Achieve a 5% increase in hours delivered by RVS volunteers on a baseline figure of 2,202.

- 2,429

Achieve a 5% increase in the number of registered service users across all services with a baseline of 262.

- 184

Achieve a 5% increase in the number of service user interactions for Good Neighbours with a baseline of 200.

- 224 with 68 social transport journeys undertaken

User surveys and quarterly case studies provided

PERFORMANCE SUMMARY

New targets were set for the Royal Voluntary Service for 2016/17 and they achieved many of them and exceeded some. Numbers accessing the Islesburgh lunch club was partially restricted by the transport provision being at capacity. Volunteer numbers and registered service user numbers were below target, this was due to a data cleanse that was carried out by the new Service Manager.

The Royal Voluntary Service received funding of £46,985 and operated with budget.

Shetland Churches Council Trust**PURPOSE:**

To maintain church buildings and support community events along with support for training and education.

KEY TARGETS:

In 2016-17, Shetland Churches Council Trust achieved the following key targets:

Achievements

To assist Christian congregations with the upkeep and repair of their buildings, particularly where they have a wider architectural or community benefit, in order to ensure that these buildings can continue to provide satisfactory places of worship

- 2 awards
- Geographical spread: Dunrossness and Lerwick

To work together to co-ordinate and facilitate services and events

- 2 holiday clubs were supported – Scalloway Methodist and Burra Baptist's football club.

To help defray some of the costs of travel from Shetland, to enable people, including youth, to participate fully in activities

- 4 travel grants awarded, 2 were for youth groups, one relating to transport for a holiday club in the islands, the other for a group going south.

Sit on committees and bodies dealing with issues such as drugs and alcohol, Emergency Forum.

- Representatives on 4 bodies

To hold regular meetings of Trustees.

- 5 Meetings have been held

To ensure, where reasonably practical, that access to church buildings is barrier free so that people with disabilities can use them without restrictions and that other disabilities are mitigated

- No applications for grants for disabled facilities were received.

PERFORMANCE SUMMARY

Overall Shetland Churches Council Trust (SCCT) achieved all their key targets, but experiences a lack of demand for grants over the year.

SCCT received total funding of £40,503 in 2016/17 and operated within budget. In line with the Trust's Disbursement Plan funding for SCCT is planned to be £27,002 in 2017/18.

Shetland Folk Festival Society

PURPOSE:

To assist with the costs of providing artists to perform at the 35th Shetland Folk Festival and to help cover the costs of providing transport and venues.

KEY TARGETS:**Achievements**

1 "open to all" concert in the Festival Club

- Opening concert open to all, standing room only as extremely well attended.

1 youth event - featuring young musicians from throughout Shetland

- Event held on Sunday afternoon in the Festival Club, 81 young performers as well as 130 in the audience.

Concerts – approximately 21 concerts are held throughout Shetland with 5,000+ in attendance

- 24 concerts, 5755 in attendance

Outreach Concert – one held in either Unst, Fetlar, Out Skerries, Whalsay or Fair Isle, with up to 100 in attendance

- 1 held in Unst, 136 in attendance
- 1 held in Yell, 126 in attendance

Additional Support Needs Concert – private concert for adults and children with additional support needs, with up to 100 in attendance

- 1 private afternoon concert for young adults and children held at Friday lunchtime at the Bells Brae ASN Unit. About 100 students and parents/carers were in attendance.

1 Private Music Session - with participants at the Eric Gray Resource Centre. Up to 50 in attendance

- 1 private session held on the Thursday afternoon, around 50 service users plus staff attended.

Playgroup Concert – one held annually each year, with up to 300 in attendance.

- Concert held in Clickimin on the Friday, about 320 in attendance including parents/carers.

School Visit – at least one visit to a primary school for exchange of music and culture.

- 1 informal concert held at Tingwall Primary school with Little Tykes playgroup also in attendance

5 workshops including Shetland dancing

- 5 workshops held

PERFORMANCE SUMMARY

In 2016/17 the Shetland Folk Festival Society received funding of £13,500 and achieved all their targets.

Shetland Accordion and Fiddle Club

PURPOSE:

To provide opportunities for the performance of accordion and fiddle music at a festival. To provide the opportunity for visiting musicians to meet and play with local musicians thereby imparting knowledge and styles to each other. To provide an opportunity for young Shetland musicians to broaden their horizons and perform to large audiences.

KEY TARGETS:

At the 2016 annual festival, the Shetland Accordion and Fiddle Club achieved the following key targets: -

29th Shetland Accordion and Fiddle Festival held between 6-10 October 2016

- Events held in Bigton, Bixter, Muckle Roe, Burra, S Nesting, Aith, Gulberwick, Ollaberry, Tingwall, Uyeasound and Lerwick

To encourage as wide a range of traditional music as possible. (To bring musicians from Scandinavia, Scotland, England and Ireland to the festival).

- 74 musicians from outside Shetland took part.

To increase Club membership numbers. (Over 450 memberships)

- 475 full memberships, decrease of 36 from 2015

To increase audience numbers at the venues.

- Over 2,200

To increase the number of club members from outside Shetland thus boosting off season tourism.

- Over 175, decrease in 25 from 2015.

PERFORMANCE SUMMARY

Shetland Accordion and Fiddle Club received grant funding of £9,000 in 2016/17 and achieved all their targets.

The Swan Trust

PURPOSE:

To make the Swan available for viewing, restored in good working order and registered as an approved sail-training vessel.

To encourage young people to sail on the Swan, to appreciate Shetland's sailing and fishing history and experience our wildlife and culture.

KEY TARGETS:

Increased awareness of marine environment and heritage:

Target Area	Target	Actual	Difference
Shetland Schools	10	16	+6
Additional Support Needs groups	2	2	0
Youth Groups	2	8	+6
Children	300	188	-112
Youths (under 25)	70	111	+41
Adults	50	105	+55

PERFORMANCE SUMMARY

The Swan Trust received funding of £53,738 in 2016/17 and operated within budget and achieved many of their targets.

Shetland Befriending Scheme

PURPOSE:

Offering vulnerable young people the opportunity to form a trusting relationship with an adult to promote his/her personal development.

KEY TARGETS:

In 2016/17, Shetland Befriending Scheme has achieved the following key targets; -

Achievements

To recruit up to 8 new volunteers in the next financial year to offer the befriending service to young people.

- 14 volunteers recruited

To continue to actively promote the service to the Shetland Community and engage in recruitment drives to seek new volunteers.

- 2 recruitment drives undertaken

To continue to provide a high quality Befriending Service to children and young people Shetland wide. Up to 25 children and young people will receive a service per annum; and 75% of young people will achieve a positive outcome.

- 21 young people matched to volunteers
- 88% of young people felt that they had increased self esteem confidence and feelings of achievement

To continue to support, monitor and review matches occurring on a regular basis to ensure the befriending is benefiting the young person.

- 21 matches monitored

To have up to 8 newly trained volunteers ready to be matched to a young person.

- 7 newly trained volunteers with all matched to a young person

PERFORMANCE SUMMARY

The Shetland Befriending Scheme continued to support young people to promote their personal development and achieved many of their key targets. They had a particularly successful this year in recruiting new volunteers.

The Shetland Befriending Scheme received total funding of £54,418 in 2015/16 and operated within budget. Funding primarily supports staff costs and volunteer expenses.

Shetland Islands Citizens Advice Bureau

KEY TARGETS:

Outcome	Target	Actual	Comment
New Cases Opened	2000	2016	Target exceeded
Total Number of Issues Raised	8000	7973	CAS changes to methods of recording statistics have resulted in decrease of issues recorded. In recognition of this, agreed target for 16/17 was reduced.
Deliver information and advice services for at least 30.5 hours per week.	30.5hrs	30.5hrs	On target
Confirmed Welfare Rights financial gains	£250,000	£418,297	Target exceeded
Intensive support to individuals to develop and implement plans to reduce financial problems	150	166	Target exceeded
Confirmed financial gains from specialist debt adviser	£100,000	£1,049,654	Target exceeded
Training and supported work experience for volunteers	25	33	Target exceeded
New Trainees	4	4	On target
Collaboration with partner organisations	10	15	Target exceeded
Confirmed financial gains from generalist advice	£15,000	£123,665.20	Target exceeded

PERFORMANCE SUMMARY

Shetland Islands Citizens Advice Bureau (SICAB) have achieved all their key targets for 2016/17. Targets have been adjusted for 2016/17 to reflect the new recording methods.

SICAB received total funding in 2016/17 of £132,265 and operated within budget.

COPE Limited**PURPOSE:**

To provide focused placements, training, support and employment opportunities to adults with learning or physical disabilities

KEY TARGETS:**To maximise efficiencies within all COPE business units to increase sustainability.**

- Funding application approved for Employment Officer Position – Robertson Trust.
- Funding application approved to DYW (Developing Young Workforce) funding to assist in developing the employability service.
- Review of Port Business Park site for growth opportunities. COPE LTD is in talks with HIE regarding future plans.
- COPE LTD purchasing Shetland Deli business to assist boost income for Shetland Kitchen Co achieve greater income revenue.

To ensure strong organisational brand in place that clearly reflects the aims and objectives of COPEs mission statement.

- Funding for Marketing Manager approved by HIE for 3 year position. Position to be advertised in April 2017.

To develop Service Level Agreements with funding bodies that detail accountability and participant outcome is evident.

- Review of SLA with SIC underway.
- ASDAN Accreditation achieved.
- ASDAN awards to be continued throughout the organisation. 3 participants currently studying for award.

To strengthen COPE Ltd's governance and management.

- Monthly structure set in place for Team Leaders and Senior Management Team
- Team Leaders undergoing SMAS training
- 2 senior managers completing Emerging Leaders training including ILM Award level 5

To maintain existing services and where possible initiate growth through joint working opportunities with other voluntary organisations and stakeholders within the islands.

- Increased attendance at Scottish Mainland events by CEO and Business Manager to highlight COPE Ltd achievements and forge business opportunities.
- Increased attendance at Trade events to encourage growth for Shetland Soap customer base.
- Engaging with Third Sector colleagues to encourage partnership working and sharing of resources.

PERFORMANCE SUMMARY

Shetland Charitable Trust supports the management and premises costs of COPE and they have achieved all their targets agreed in this area.

In 2016/17, COPE received funding of £154,967 and operated within budget.

Voluntary Action Shetland

PURPOSE:

To provide a central point for the voluntary sector, providing office space, storage, administrative support, sign-posting, advice and information to the voluntary sector in Shetland.

KEY TARGETS:

Third Sector Organisations feel better connected and are able to influence and contribute to public policy

- Full partner on Shetland Partnership Board
- Third Sector Forum – 3 meetings in year giving third sector opportunity to engage with partner agencies.
- VAS attend 31 meetings in relation to the Local Improvement Outcome Plan.
- Represents the third sector on strategic forums and partnerships both locally and nationally.

Third sector organisations are well managed and deliver quality services

- Support third sector organisations - 82 organisations received information and support.
- Provide regular communication to third sector organisations – 23 newsletters and 114 e-bulletins.
- Deliver training courses as identified from partners – 23 workshops
- Ensure organisation information on the MILO national platform is up to date – 635 organisations data is up to date.
- Provide Independent Examination of accounts – 82 organisations assisted to OSCR compliant standard.
- Providing premises as a recognised 'Hub' for developing and supporting third sector organisations – 19 organisations.

Social Enterprise Develops and Grows

- Social Enterprises given regular information and updates on relevant topics i.e. procurement and tendering, business planning, asset transfer.
- Three social enterprises provided with consultancy/ one to one support in business planning, management and sustainability
- Network with private employers to create value and understanding

More people have increased opportunity and enthusiasm to volunteer

- People interested in volunteering receive appropriate responses and support information – 1,442 responses to enquiries.
- Provide access to volunteering opportunities – 100% of volunteering opportunities are promoted online.
- 110 local opportunities registered on MILO and promoted locally and nationally.
- Young people receive recognition for volunteering through Saltire – all High Schools visited
- Providing a varied training programme for volunteers, to enable them to be effective volunteers and use the transferable skills gained in other areas of life. Attendance of 285.

PERFORMANCE SUMMARY

Voluntary Action Shetland continues to support a wide range of third sector organisations from their premises at Market House and have achieved all their key targets.

In 2016/17, Voluntary Action Shetland received total funding of £144,361 made up of £91,897 towards core running costs and £52,464 towards supporting Market House. Both areas operated within budget.

Disability Shetland

PURPOSE:

To support the running costs of the Adult Recreation Club, including hiring venues, transport, volunteer expenses and training.

To contribute to the costs of delivering the Social Activities project.

KEY TARGETS:

In 2016-17, Disability Shetland Recreational Club provides recreational opportunities for adults with disabilities and also delivers the Social Club and Yoga Club at Islesburgh Community Centre and other venues. They are expected to achieve the following key targets:-

Achievements

Dry Sports

Target – 37 sessions

Actual – 37 sessions

Bowls Competitions

Target - 1 per year

Actual – 1

Yoga

Target – 20 sessions

Actual – 20 sessions

Wednesday Social Club

Target – 48 sessions

Actual – 48 sessions

Case studies

Target – 2 per year

Actual – 2

Swimming

Target – 9 sessions

Actual – 9 sessions

Swimming Gala

Target – 1 per year

Actual – 1

PERFORMANCE SUMMARY

Overall Disability Shetland achieved all their key targets in 2016/17.

Disability Shetland received total funding of £12,641 in 2016/17 to support their adult recreation clubs and operated within budget.

Disability Shetland undertook a major review of their structure and operation during the year and have recently been awarded substantial grant funding from the National Lottery and Children in Need.

Shetland Link Up

PURPOSE:

Providing support to people who are affected by mental health problems by:

- (a) Offering support and relief to, and facilitating friendship for, those affected by mental ill health; and
- (b) Developing links with other community resources and facilities so that people affected by mental ill health are enabled to access such resources and facilities more easily and are integrated into the wider community to a greater extent.

KEY TARGETS:

In 2016-17, Shetland Link up achieved the following key targets:

Achievements

Attendance at SLU mixed group

Target - 1,000

Actual - 1,573

Number of volunteers at SLU

Target - 2

Actual - 5

Total volunteer hours

Target - 200

Actual - 354

Satisfaction outcome

Target - 75%

Actual - 100%

Total client contacts

Target - 1,500

Actual - 1,746

Support up to 37 clients per annum

Actual - 36

PERFORMANCE SUMMARY

Shetland Link Up have achieved most of their key targets for 2016/17 and have exceeded many. The average number of clients actively using the service at any one time was between 25 and 29, with 36 clients supported in total. Clients attending came from all over Shetland with over 65% coming from the central area and 10% from the Isles.

Shetland Link Up received total funding in 2016/17 of £47,994 and operated within budget.

REPORT

To: Shetland Charitable Trust

Date: 14 September 2017

From: Chief Executive

Report: CT1709020

Update to Grant Offer Letter

1. Introduction

- 1.1 The purpose of this report is to seek Trustee approval of an updated grant offer letter.

2. Background

- 2.1 All organisations in receipt of a revenue grant must sign a grant offer letter which sets out the conditions attached to the grant.
- 2.2 As part of their grant conditions organisations funded under the revenue grant scheme must publicly acknowledge the Trust's grant.

3. Present Position

- 3.1 The current grant offer letter states under condition k),
"that the grantee will acknowledge the grant publicly as appropriate and as practical. The grantee will acknowledge Trust support in any published documents that refer to the project, including any advertisements, accounts and public annual reports, or in written or spoken public presentations about the project."
- 3.2 The Public Relations Working Group have developed a guide for grantees, "How to Acknowledge Your Grant". The guidelines set out in more detail ways in which the Trust normally expects grantees to acknowledge Trust funding. These have been attached as Appendix A.
- 3.3 The General Purposes Advisory Committee have considered the guidelines and recommend that these be issued to funded bodies and that condition k) of the grant offer letter be amended to make reference to the guidelines and state:
"that the grantee will acknowledge the grant publicly as appropriate and as practical, in accordance with Shetland Charitable Trust's published grant acknowledgement guidelines"

4. Financial Implications

4.1 There are no financial implications arising from this report.

5. Recommendations

5.1 The General Purposes Advisory Committee recommend that Trustees approve the updated grant offer letter, condition k), for use in the 2018/19 grant year.

Reference: DA1
Date: 30 August 2017

Report Number: CT1709020

Shetland Charitable Trust

How to Acknowledge Your Grant

A guide for grantees

By accepting a grant from Shetland Charitable Trust you have made a commitment to acknowledge the Trust's support publicly.



Introduction

It is a condition of your grant that you publicly acknowledge the funding from Shetland Charitable Trust in all of your promotional work. This helps people see how the Trust's money is being spent and the contribution that it makes towards improving the quality of life for the people of Shetland.

The following guidelines suggest some ways in which Trust support should be acknowledged, but we would encourage you to find other ways of making a high-impact acknowledgement of the Trust's funding.

The "Funded by Shetland Charitable Trust" logo is available from the Trust as graphics files in a variety of sizes and formats suitable for inclusion in printed material or the production of signs or other material.

Notes

These guidelines are intended to indicate ways in which the Trust normally expects grantees to acknowledge Trust funding; they are not intended to be interpreted as a

rigid set of rules. Where a grantee can demonstrate that it would be difficult or unduly expensive for them to implement a particular suggestion we are willing to be flexible, but will expect you to find alternative means of effectively acknowledging the Trust's funding.

We accept that it may take time for you to fully implement these guidelines. For example, we do not expect you to dispose of already printed materials that do not bear the Trust's logo, but we will expect the logo to be included whenever new material is printed.

Signs

Signs showing the "Funded by Shetland Charitable Trust" logo should be visible in public areas of your buildings.

Signs showing our logo should be clearly displayed at every main public entrance and exit of your buildings, and anywhere else that Trust-funded activities take place. Signs should also be displayed on vehicles used to deliver Trust-funded services, and temporary signs or banners should be displayed where Trust-funded activities are delivered on an occasional or temporary basis.

Online and Social Media

Trust funding should be acknowledged online, including:

- ◆ On your website; ideally by placing the "Funded by Shetland Charitable Trust" logo on your organisation's home page and linking it to the Trust's website, and by mentioning the Trust's funding in the text.
- ◆ In social media; by featuring the "Funded by Shetland Charitable Trust" logo and by mentioning the Trust's funding in the text.

Publications and Promotional Material

Trust funding should be acknowledged by including the "Funded by Shetland Charitable Trust" logo on promotional and printed material and by acknowledging our support in the text.

This should include (but not be limited to):

- ◆ leaflets and brochures
- ◆ printed and electronic newsletters
- ◆ posters

- ◆ educational materials
- ◆ interpretative panels
- ◆ guidebooks
- ◆ annual reports
- ◆ printed stationary
- ◆ adverts

Events

Trust funding should be acknowledged at any event that relates to an activity that the Trust has funded.

Signs or banners showing the “Funded by Shetland Charitable Trust” logo should be displayed at events, and the logo should be used on invitations, programmes, brochures and other promotional materials.

Press Releases, Media and Public Relations

Press releases about Trust-funded services or activities should bear the “Funded by Shetland Charitable Trust” logo, as well as acknowledging Trust support in the text.

You should acknowledge your SCT grant in speeches, presentations and where possible in interviews.

How to Use the Logo

Please use the “Funded by Shetland Charitable Trust” logo exactly as it is provided. The minimum height of the logo is 10 mm and the width should be proportionate to the height.

Please do not redraw or alter our logo. Don't stretch it, change its the shape, crop it, or change the font. The logo must be displayed in SCT green (CMYK: 90 21 60 65, RGB: 38 92 80, Pantone 330C) or black on a light background, or in white on a solid dark background. Do not use the logo in any other colour.

The size of the logo should be proportionate to the size of the materials you are producing to ensure that it is clear and easy to read. For example:

- ◆ **A5:** 10mm high.
- ◆ **A4:** 14 mm high

- ◆ **A3:** 24 mm high
- ◆ **A2:** 36 mm high, and so on.

Signs should be large enough to be clearly visible and legible from a normal viewing distance.

Monitoring

Trust staff will monitor the public acknowledgement of Trust funding by grantees and may ask you to make additional efforts to do so.

REPORT

To: Shetland Charitable Trust

Date 14 September 2017

From: Chief Executive

Report: CT1709021

Amendment to Administrative Regulations

1. Introduction

- 1.1 This report seeks to update the Trust's Administrative Regulations to reflect the new governance arrangements.

2. Background

- 2.1 At their meeting on 28 March 2013, Trustees agreed to adopt the Trust's new Administrative Regulations, reflecting the new Governance Arrangements of the Trust (CT1303005).
- 2.2 At their meeting on 11 September 2014, Trustees agreed an amendment to the Administrative Regulations to reflect the procedure to be adopted when there is a conflict of interest primarily between the Trust and the Council (CT1409031).
- 2.3 At their meeting on 12 May 2016, Trustees agreed to amend the Administrative Regulations to reflect the procedure to be adopted when there is a conflict of interest between the Trust and another body (CT1605020).

3. Present Position

- 3.1 The Audit & Governance Advisory Committee (AGAC) have collated the views of all Trustees with regard to suggested amendments to the Administrative Regulations under the new Governance arrangements.
- 3.2 The Trust Legal Advisors have reviewed the suggested changes and have recommended those which can be changed at the present time.
- 3.3 It is therefore proposed to change the Administrative Regulations as per Appendix A to Appendix B.

4. Financial Implications

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

5. Recommendations

- 5.1 The AGAC recommend that Trustees approve the amendments to the Administrative Regulations attached as Appendix B.

Reference: TA48
Date: 1 September 2017

Report Number CT1709021

CT1303005 (adopted)
(last amended 12 May 2016 – CT1605020)
CT1709021 – Appendix A



ADMINISTRATIVE REGULATIONS

SC027025

TURCAN CONNELL

SOLICITORS AND ASSET MANAGERS

PRINCES EXCHANGE, 1 EARL GREY STREET, EDINBURGH, EH3 9EE

Telephone 0131 228 8111 Fax 0131 228 8118

DX 723300 Edinburgh 43 LP | Edinburgh 14

E-mail enquiries@turcanconnell.com www.turcanconnell.com

Shetland Charitable Trust
ADMINISTRATIVE REGULATIONS

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1. CONSTITUTION

1.1 Terms of Reference

- 1.1.1 The Shetland Charitable Trust ("the Trust") is a charity registered in Scotland with charity number SC027025. It is governed by its Deed of Trust dated 13th and 14th September 2012 and registered in the Books of Council and Session on 27th September 2012 ("the Deed of Trust").
- 1.1.2 These Administrative Regulations are granted in furtherance of Clause (FOURTH) of the Deed of Trust ("these Regulations").

2. TRUSTEES OF THE TRUST

2.1 Roles and Duties

- 2.1.1 Trustees must set and thereafter implement the strategic aims, objectives and direction of the Trust. Trustees must exercise overall control over financial affairs and ensure the completion of the relevant statutory reports, returns and accounts.
- 2.1.2 Trustees must act in the interests of the Trust at all times. They must promote the success of the Trust in the way that they think, in good faith, would be most likely to help the Trust achieve its purposes.
- 2.1.3 Trustees must try, in good faith, to ensure that the Trust acts in a way which is consistent with its purposes as set out in the Deed of Trust.
- 2.1.4 Trustees must act with the care and diligence that it is reasonable to expect of a person who is managing the affairs of another person.
- 2.1.5 Trustees must manage conflicts of interest if they have (or can have) a direct or indirect interest which conflicts or might conflict with the interests of the Trust. They must put the interests of the Trust before those of anyone responsible for their appointment. They must also declare the nature and extent of any interest, direct or indirect, which they have in a proposed transaction or arrangement.
- 2.1.6 Trustees must ensure that the Trust complies with any direction, requirement, notice or duty imposed on it as a result of the Charities and Trustee Investment (Scotland) Act 2005 (“the Charities Act”).
- 2.1.7 Trustees must take any steps that are reasonably practicable to ensure that any breach of duty by a fellow Trustee is corrected and not repeated and also that any Trustee who seriously or persistently breaches his/her duties is removed as a Trustee.
- 2.1.8 Trustees must act within their powers and only exercise those powers for the purposes for which the powers were granted.
- 2.1.9 Trustees must exercise independent judgement. They must not accept benefits from third parties which might give rise to a conflict of interests and which are given because of the Trustee’s position or because of an action (s)he can take.
- 2.1.10 Trustees must attend meetings regularly and, unless a task is delegated, must act together to take decisions affecting the Trust. Trustees nonetheless also retain ultimate responsibility for even delegated decisions.
- 2.1.11 Trustees must act in accordance with not only charity law but the law in general.
- 2.1.12 Trustees must take professional advice where appropriate or necessary.

2.2 Code of Conduct

- 2.2.1 All Trustees shall be required to accept and sign and return to the Trust the ‘Code of Conduct’ set out in Appendix A.
- 2.2.2 Trustees may be subject to another Code of Conduct, for example the Councillors Code of Conduct or a Code of Conduct which applies to him or her by virtue of a professional body of which he or she is a member. In the event that any such code or other duty to which a Trustee is subject to imposes a higher standard than imposed by these Regulations, then that Trustee must follow that higher standard

2.3 Appointment of Trustees

2.3.1 All Trustees shall be appointed, and retire, in accordance with the Schedule of Governance Arrangements appended to the Deed of Trust an extract of which is reproduced as Appendix C.

2.4 Induction

2.4.1 All new Trustees other than those selected or appointed for a second successive term shall receive an induction pack which will include the following:-

- the Trust's Deed of Trust
- the most recent audited accounts
- the Code of Conduct
- the Register of Interest Form
- guidance on duties as Trustees.

In addition, such induction pack may include information on the Trust's strategy and administration and copies of any policies and other guidance as is appropriate to include.

2.4.2 All new Trustees other than those appointed for a second successive term shall have a meeting with at least one of the Chair, the Vice Chair, and the Chief Executive and shall be required to undertake introductory Trustee training which will be provided.

2.5 Election of Chair

2.5.1 The election of the Chair will be the first business transacted at the first Trustees' meeting following the retiral of the outgoing Chair. At that meeting, until the Chair is elected, the outgoing Chair, failing whom a Trustee selected by the meeting, shall preside. A person holding the office of Chair shall be eligible for re-election as Chair for one further term thereafter.

2.5.2 Prior to voting, nominations for the position of Chair shall be sought and nominees shall be permitted to address the meeting as to their candidature. No questions will be permitted in response, and no further nominations will be allowed after voting begins.

2.5.3 If there is only one candidate, (s)he shall be elected. If there is more than one candidate, voting shall be by secret ballot. Regardless of the number of candidates, each Trustee will vote for one candidate at each ballot. After the first ballot, the candidate who secures a clear majority of the total votes cast shall be elected. However, in the case of no clear majority, the lowest scoring candidate shall drop out and the second ballot will take place. This method shall continue until the appointment is made either by clear majority or a choice between two remaining candidates. In the case of an equality of votes, the Chair shall be elected by lot as between those who received equal votes, and proceed on the basis that the person to whom the lot falls upon had received the additional vote.

2.5.4 If a casual vacancy arises in the office of Chair, an election to fill the vacancy shall be held as soon as practicable. The Vice Chair of the Trust shall act as the Chair until such time as a new Chair is elected. The notice of the Trustees' meeting at which the election is to be held shall specify the filling of the vacancy as an item of business and election shall take place in the usual manner.

2.6 Duties and Responsibilities of Chair

- 2.6.1 The duties of the Chair of the Trust are set out below.
- 2.6.2 The Chair's overall purpose is to provide leadership and direction to the Trustees, enabling them to fulfil their responsibilities for the overall governance and strategic direction of the Trust and also for developing the Trust's aims, objectives and goals in accordance with the governing document, legal and regulatory guidelines.
- 2.6.3 The Chair will work with the Chief Executive to ensure that Trustee decisions are acted upon and the Trust is managed in an effective manner.
- 2.6.4 The Chair's main responsibilities are:
- a. chairing Trust meetings;
 - b. leading the trustees and members of the staff to develop strategic plans for the Trust;
 - c. with the Chief Executive, ensuring that the Trust is run in accordance with the decisions of the trustees and the Trust's governing document;
 - d. liaising with the relevant staff to draft agendas for trustee meetings and ensure that the business is covered efficiently and effectively in those meetings;
 - e. manage matters relating to conflicts of interest between the Trust and the Council in terms of Regulation 2.9.
- 2.6.5 Other duties of the Chair are:
- a. taking action on behalf of the Trust on matters which will not admit of delay;
 - b. speaking with the press or other media on behalf of the Trust;
 - c. acting as "spokesperson" for the Trust in other situations;
 - d. representing the Trust at functions;
 - e. representing the Trust on external bodies.

2.7 Vice Chair

- 2.7.1 A Vice Chair will be elected in the same manner as the Chair. The Vice Chair shall substitute for the Chair as and when required and support the Chair in fulfilling the duties set out above. Anything authorised or required to be done by, to or before the Chair may, in the Chair's absence or where the Chair's authorisation has been granted, be done by, to or before the Vice Chair. The Vice Chair will be eligible for re-election for one further term thereafter.

2.8 Advisory Councils or Committees

- 2.8.1 The Trustees have the power in terms of the Deed of Trust to create an Advisory Council or Councils or Committee or Committees (referred to in these Regulations as "committees") to act along with the Trustees and/or advise them on all or any of the objects of the Trust provided always that the creation, constitution, membership and continuance of any such committees shall be entirely at the discretion of the Trustees.

2.9 Conflicts of Interest

2.9.1 Trustees have a duty to manage any conflicts of interest. Conflicts of interest may create problems, such as:

- (a) inhibit free discussion;
- (b) result in decisions or actions that are not in the interests of the Trust; and
- (c) risk giving the impression that the Trust has acted improperly.

2.9.2 In law, conflicts of interest may arise in circumstances where there is a conflict or the potential of a conflict of interest between:-

- (a) the personal interests of a Trustee and those of the Trust; and
- (b) the concerns of two different organisations to which a Trustee is affiliated;

Further, in terms of Section 66 (c) of the Charities Act Trustees must:-

“in circumstances capable of giving rise to a conflict of interest between the Trust and any person responsible for the appointment of the Trustees:-

- (i) put the interests of the Trust before those of the other person; or
- (ii) where any other duty prevents the Trustee from doing so, disclose the conflicting interest to the Trust and refrain from participating in any deliberation or decision of the other Trustees with respect to the matter in question.”.

2.9.3 Generally, in deciding whether a conflict, or a potential conflict, of interests exists, Trustees should consider whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it would be likely to prejudice a Trustee's discussion or decision-making in his/her role as a Trustee.

Declarations of Interest

2.9.4 Accordingly, Trustees are asked to declare their interests, as follows:-

- (a) current employment and any previous employment in which they continue to have a financial interest;
- (b) appointments (voluntary or otherwise) eg trusteeships, directorships, local authority membership, tribunals, etc;
- (c) membership of any professional bodies, special interest groups or mutual support organisations;
- (d) ownership or lease of land and property;
- (e) ownership and interests in companies (with limits specified);
- (f) any tenancy of premises owned by the Trust;
- (g) gifts or hospitality offered by external bodies and whether this was declined or accepted in the last twelve months;
- (h) any use, or care for a user of, the Trust's services;
- (i) any contractual relationship with the Trust or its subsidiary.

Interests will be recorded on the Trust's Register of Interests, which will be maintained by the Chief Executive.

- 2.9.5 The information provided will be processed in accordance with data protection principles and data will be processed only to ensure that Trustees act in the best interests of the Trust. The information provided will not be used for any other reason.

Management of Conflicts of Interest at Trustees' Meetings

- 2.9.6 Subject to clause 2.9.7, a Trustee must declare an interest, refrain from taking part in the deliberations and withdraw from the room where circumstances arise capable of giving rise to a conflict of interest between the Trust and:

- (a) a Trustee or a person with whom a Trustee is connected;
- (b) a Trustee, or a person with whom the Trustee is connected, as a user of the Trust's Services;
- (c) an organisation to which a Trustee is affiliated, ie owes a fiduciary duty to; and
- (d) a person responsible for the appointment of a Trustee.

- 2.9.7 If a Trustee believes that the circumstances which have arisen cannot reasonably be regarded as likely to give rise to a conflict of interest then, having declared an interest, such Trustee may take part in the deliberations and decision-making process with the exception of circumstances arising between the Trust and a person responsible for the appointment of a Trustee as outlined in paragraph 2.9.6.

- 2.9.8 If a Trustee fails to declare an interest that is known to any other Trustee, then such other Trustee shall draw it to the attention of the Chair of the Trust and the Chair will declare that interest at the outset of the discussion and the Trustee who has failed to declare the interest must act accordingly in terms of clause 2.9.6.

- 2.9.9 With reference to Clause 2.9.6 the following persons are "connected" with the Trustee

- (a) Any person
 - (i) to whom the Trustee is married;
 - (ii) who is a civil partner of the Trustee; or
 - (iii) with whom the Trustee is living as husband and wife or, where the Trustee and the other person are of the same sex, in equivalent relationship.
- (b) Any child, parent, grandchild, grandparent, brother or sister of the Trustee (and any spouse of any such person)
- (c) Any institution which is controlled (whether directly or through one or more nominees) by
 - (i) the Trustee;
 - (ii) any person with whom the Trustee is connected by virtue of paragraph (a), (b), (d) or (e) or
 - (iii) two or more persons falling within sub-paragraph (i) or (ii), when taken together.

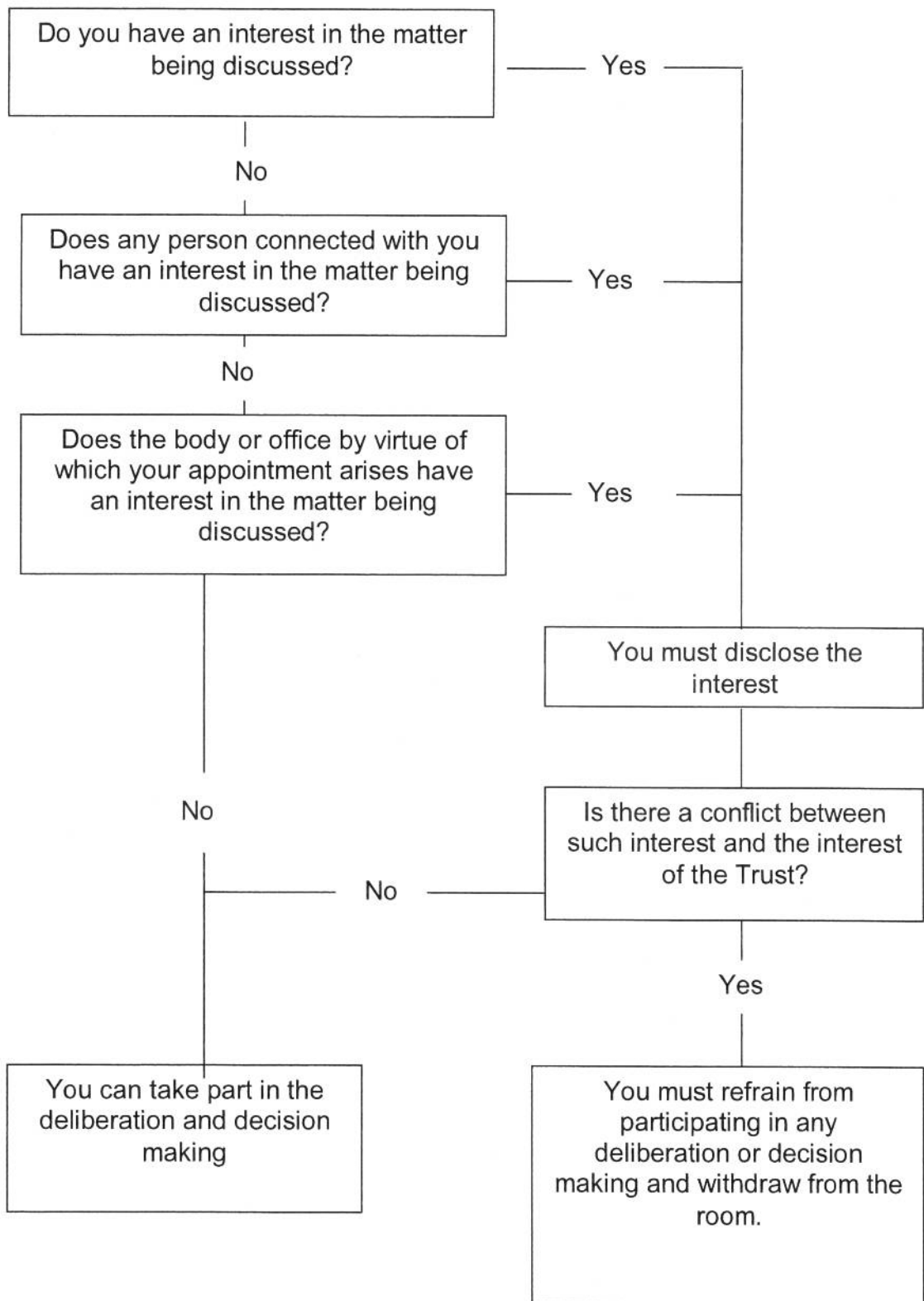
- (d) A body corporate in which
 - (i) the Trustee has a substantial interest;
 - (ii) any person with whom the Trustee is connected by virtue of paragraph (a), (b), (c) or (e) has a substantial interest or
 - (iii) two or more persons falling within sub-paragraph (i) or (ii) when taken together have a substantial interest.
- (e) A Scottish partnership in which one or more of the partners is
 - (i) the Trustee or
 - (ii) a person with whom the Trustee is virtue of paragraph (a) or (b) connected.

2.9.10 For the purposes of the foregoing a person who is

- (a)
 - (i) another person's stepchild, or
 - (ii) brought up or treated by another person as if the person were a child of the other person,

is to be treated as that person's child;
- (b) able to secure that the affairs of an institution are conducted in accordance with the person's wishes is to be treated as being in control of the institution; and
- (c)
 - (i) interested in shares comprised in the equity share capital of a body corporate of a nominal value of more than one-fifth of that share capital; or
 - (ii) entitled (whether directly or through one or more nominees) to exercise, or control the exercise of, more than one-fifth of the voting power at any general meeting of a body corporate, is to be treated as having substantial interests in the body corporate.

2.9.11 The Office of the Scottish Charity Regulator ("OSCR"), established by the Charities Act, has published guidance for Trustees which deals with, amongst other things, the general duties of Trustees and conflicts of interest. It is worth noting that this is OSCR's interpretation of the duties in terms of the Charities Act and does not itself have any binding effect on Trustees. It is however published guidance circulated by OSCR and ought to at least be considered when a decision is being made with regard to whether or not a conflict of interest exists. A flow chart follows, summarising how a Trustee ought to manage Conflicts of Interest.



3. MANAGEMENT OF THE TRUST

3.1. Composition and Function of the Management

- 3.1.1 Trustees shall ensure that the following services are always available to the Trust:
- Co-ordination and management;
 - Financial services
 - Investment services.
 - Trust and taxation legal services; and
 - Administrative and secretarial services
- 3.1.2 The Trustees shall appoint Senior Management and such professional advisers to carry out the functions of the Trust.
- 3.1.3 Employees and/or officials acting on behalf of the Trust and applicants for employment may not canvass Trustees.
- 3.1.4 No employee and/or official acting on behalf of the Trust may attend any unofficial meeting of a group of Trustees.

4. BUSINESS OF THE TRUST

4.1 Trustee Meetings

- 4.1.1. Dates of Trust meetings will be set and notified to the Trustees in November, for the following year.
- 4.1.2. A special meeting of the Trustees may be called at any time by:
the Chair of the Trust; or
on the request of 6 Trustees.
- 4.1.3. On receipt of a requisition under Regulation 4.1.2, the Chief Executive or such other person as is authorised by him/her shall call a special meeting, which shall be held within 14 days of the receipt of such requisition by the Chief Executive or such other person as is authorised by him/her.
- 4.1.4. Unless specified otherwise in these Regulations, no business shall be transacted at a meeting of the Trust unless a quorum is present being at least 6 Trustees present, of which 3 must be Appointed Trustees. In determining whether Trustees are present at a meeting of the Trust, it is irrelevant where any Trustee is or how they communicate with each other.
- 4.1.5. If the Chair finds that the quorum is wanting, the fact shall be announced and a period of 30 minutes shall elapse after which, if a quorum is then wanting, the meeting shall end, and the remaining business be carried forward.
- 4.1.6. No business shall be transacted at a meeting of the Trust other than that specified in the summons relating thereto.
- 4.1.7. Notwithstanding paragraph 4.1.6 hereof, at his or her discretion the Chair may bring forward at a meeting of the Trust any business.
- 4.1.8. Four clear days before a meeting the agenda paper for the meeting shall be sent to the Trustees of the Trust, and no other business, unless the Chair judges it urgent, shall be brought before the meeting.
- 4.1.9. At each Trustee Meeting there shall be a report (verbal or written) tendered by any committees and working groups of the Trust.
- 4.1.10. The minutes of any committee or working group meetings shall be circulated with the papers for Trustee Meetings.

4.2 Conduct of Meetings

- 4.2.1. At a meeting of the Trust the Chair, if present, shall preside. If the Chair is absent, the Vice Chair of the Trust, if present shall preside. If the Chair and Vice Chair are both absent, another Trustee chosen by the Trustees present shall preside.
- 4.2.2. The ruling of the Chair (in which he shall have the benefit of the advice of the Chief Executive or such other person as is authorised by him) as to the construction or application of the Regulations shall not be challenged at any meeting of the Trust. The Chair may at any time, if he or she thinks it desirable in the interests of order, adjourn a meeting or suspend a sitting of the Trust for a time to be named by him or her.
- 4.2.3. Unless otherwise specified herein, all questions coming or arising before the Trust shall be decided by a majority of the Trustees present and voting thereon at a meeting of the Trust.

- 4.2.4 In the case of an equality of votes the person presiding at the meeting shall have a second or casting vote except where the matter which is the subject of the vote relates to the appointment to any particular office or committee or sub-group, in which case the decision shall be by lot.
- 4.2.5 If a Trustee disregards the chair, the Chair may order his/her removal from the room, or suspend the sitting for a specified time.
- 4.2.6 All meetings of the Trust shall be open to the public provided that the Trust may by resolution exclude the public from a meeting (whether during the whole or part of the proceedings) whenever, in the sole opinion of the Trustees, publicity would be prejudicial to the Trust by reason of the confidential nature of the business to be transacted or for other special reasons stated in the resolution and arising from the nature of that business or of the proceedings.
- 4.2.7 After warning, the Chair may order the removal from the room of any member of the public causing disturbance.

4.3 Minutes

- 4.3.1 Minutes will be taken at all Trustees' meetings, all committee meetings, and the Annual General Meeting.
- 4.3.2 In the case of a Trustee or committee meeting, the minutes will be circulated to all Trustees, and submitted to and signed at the next Trustee or committee meeting as appropriate. In the case of the Annual General Meeting, the minutes will be signed by the Chair once approved and circulated to all Trustees with the notice of the following Annual General Meeting. Any minute purporting to be so signed shall be received in evidence without further proof.

4.4 Confidentiality

- 4.4.1 Documents containing information which in the interests of the Trust ought not to be divulged will be marked as confidential.
- 4.4.2 The Chief Executive or such other person as is authorised by him/her shall classify all documents for presentation to the Trust and any committees or sub-groups of the Trust, and mark accordingly those classified as confidential, such classification being subject to the approval of the Trust and/or the relevant committee or sub-group as appropriate. He or she shall remove this marking when it is no longer, in his or her view, required, for a complete document or for part of it. Confidential documents or their contents shall not be referred to in public and their contents shall in no circumstances be quoted in public or divulged. The advice or opinions of employees and/or officials acting on behalf of the Trust, as opposed to factual information provided by them, contained in documents, whether classified or not, shall not be divulged at any time as being those of the employees and/or officials acting on behalf of the Trust.
- 4.4.3 The production in response to a request by a Trustee of a specified document or documents, whether circulated or not, which has not or have not been presented to the Trust or a committee shall be at the discretion of the Chair of the Trust.

4.5 Signing of Documents

4.5.1 Any document to be executed for and on behalf of the Trust shall be signed by any 3 of the 15 Trustees, and these signatures shall be full and sufficient certificate that the document has been duly and validly executed for and on behalf of the Trust in compliance with all the regulations of the Trust.

4.6 Expenses

4.6.1 Each Trustee shall be entitled to reimbursement of all expenses reasonably incurred by him or her in connection with the necessary performance of his or her duties as Trustee.

4.6.2 Any Trustee who wishes to submit an expenses claim for incidental expenses must do so in any format set down by the Chair. Receipts must be attached and where receipts are not available, an explanation must be given for the failure to produce a receipt.

4.6.3 The Chair shall be entitled to introduce a requirement for prior approval of expenses or a cap on the maximum level of permitted expenses in relation to expenses for all or some of the Trustees and in relation to some or all expenses. Where the procedure does not apply uniformly to all Trustees, there must be a reasonable justification for it being introduced in a targeted manner.

4.6.4 It shall be the duty of the Chief Executive's office to keep a record of all expense claims.

5. AMENDMENT

5.1 Amendment of Administrative Regulations

5.1.1 Amendments may be effected by submitting a written proposal to a trust meeting, notice of which has been circulated to all Trustees in advance of the meeting.

Appendix A

CODE OF CONDUCT FOR TRUSTEES

I will respect and uphold the objects of the Trust, as set out in the Deed of Trust.

I recognise that it is included in this ambition that:

General Responsibilities of Trustees

- I will act within the Deed of Trust and the law and will abide by the policies and procedures of the Trust. It is my responsibility to have a sound knowledge of the contents of the Deed of Trust, the Administrative Regulations, relevant policies, plans and procedures;
- I will support the objects of the Trust and will champion it using any skills or knowledge I have to further that mission, and I will seek expert advice where appropriate;
- I will help to set and maintain the Trust's values and standards;
- I will be an active Trustee, making my skills, experience and knowledge available to the Trust, and I will seek to do what additional work I can outside Trustee meetings, including sitting on sub-committees and sub-groups. I will make sure that I am able to commit sufficient time to ensure that I am an effective member of the Board of Trustees;
- I will respect organisational, board and individual confidentiality, while never using confidentiality as an excuse not to disclose matters that should be transparent and open;
- I will develop and maintain a sound and up-to-date knowledge of the Trust, its financial, risk and business planning and its environment. This will include having an understanding of how the Trust functions, the social, political and economic environment in which it operates, scrutinising its goals and objectives, monitoring the reporting of performance and progress and understanding the nature and extent of its work;
- I will use the Trust's resources responsibly and when claiming expenses will do so in line with the Trust's procedures;
- I will seek to be accountable for my actions as a Trustee of the Trust and will submit myself to whatever scrutiny is appropriate;
- I accept my responsibility to ensure that the Trust is well run and will raise issues and questions in an appropriate and sensitive way to ensure that this is the case.

Managing Interests

I will not gain, materially or financially, from my involvement with the Trust unless specifically authorised to do so by the board in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005, nor will I gain benefits for family, friends or other organisations to which I belong.

I will act in the best interests of the Trust as a whole, and not as a representative of any group. I will consider what is best for the Trust and its present and future beneficiaries and stakeholders and will avoid bringing the Trust into disrepute.

Unless authorised, I will not put myself in a position where my personal interests conflict with my duty to act in the interests of the Trust. Where there is a conflict of interest I will ensure that this is managed effectively in line with the Trust's policy. I understand that a failure to declare a conflict of interest may be considered to be a breach of this code.

I will inform the Chief Executive of any changes to the list of organisations of which I have board level membership or where I have responsibilities which may be seen to conflict with my role as a Trustee of the Trust.

I will inform the Chief Executive if I accept appointments to other organisations.

Meetings

I recognise that as a Trustee it is mandatory to attend all appropriate meetings and other appointments of the Trust or give apologies.

I will prepare fully for all meetings and work for the Trust. This will include reading papers, querying anything I do not understand, thinking through issues before meetings and completing any tasks assigned to me in the agreed time.

I will actively engage in discussion, debate and voting in meetings; contributing in a considered and constructive way, listening carefully, challenging sensitively and avoiding conflict.

I will participate in collective decision making, accept a majority decision of the Board of Trustees and will not act individually unless specifically authorised to do so.

Where I am a member of a committee or sub-group, I will take all reasonable steps to ensure that other Trustees are kept fully up-to-date with information upon which decisions may be taken.

I will take joint responsibility for decisions taken, including those determined by a nominated committee and sub-groups and recognise that I am accountable to stakeholders. I will submit to whatever scrutiny is appropriate.

Governance

I will actively contribute towards improving the governance of the Board, participating in induction and training and sharing ideas for improvement with the Board of Trustees.

I will help to manage the Trust with care, diligence and skill, taking professional advice where appropriate. I understand that I am not expected

to possess expertise other than that which might reasonably be expected of me.

Relations with others

I will endeavour to work considerately and respectfully with all those I come into contact with at the Trust. I will respect diversity, different roles and boundaries, and will avoid causing intentional offence.

I recognise that the roles of Trustees, volunteers and staff of the Trust are different, and I will seek to understand and respect the difference between these roles.

I will seek to support and encourage all those I come into contact with at the Trust who are acting in the Trust's interests. In particular I recognise my responsibility to support the Chair, the Chief Executive and the Senior Management Team.

I will not make public comments about the Trust unless authorised to do so by the Chair or the Chief Executive. Any public comments I make about the Trust will be considered and in line with organisational policy, whether I make them as an individual or as a Trustee.

Ceasing to be a Trustee

I understand that substantial breach of any part of this code may result in procedures being put in motion that may result in my being asked to resign from the Board of Trustees. Should this happen I will be given the opportunity to be heard.

If I wish to resign as a Trustee at any time, I will inform the Chair in advance in writing, stating my reasons for leaving and will agree to participate in a recorded exit interview.

Signed _____

Name _____

Date _____

NOTES

For Trustees:

This Code has been written in accordance with the Office of the Scottish Charity Regulator's "Guidance for Trustees", the Scottish Arts' Council's handbook on "Care Diligence and Skill" and The Trustee Network's booklet "Codes of Conduct for Trustees".

The purpose of this Code of Conduct is to ensure consistent application of the values and ethos of the Trust and set out the relevant standards and commitments expected of all Trustees.

For Prospective Trustees:

All new Trustees will be provided with information about what is expected of them in relation to time commitment, committee membership and involvement outside Trustees' meetings, together with copies of relevant policy documents. Opportunities will be provided to speak to an existing Trustee.

For the Trust:

The Senior Management Team of the Trust will:

- provide the Board of Trustees with timely and relevant information in order to allow the Board to govern well;
- provide the Board with advice when necessary, ensuring that external professional advisors are available as and when needed;
- work in partnership with the Board to ensure that they fulfil all of their statutory and legal responsibilities;
- invest time, money and other resources in order to help support and further develop good governance;
- provide the Board with the necessary administrative and other support that it will need to govern well, including its development needs; and
- reimburse Trustees' out-of-pocket expenses incurred in the course of their duties as Trustees in accordance with the Trust's procedures. Trustees may waive all or part of these if they so choose. Such expenses will be in line with the Trust's policy. All expense claims to be in accordance with the standing order on expenses.

Appendix B

Register of Interest Form

Name: _____

As a Trustee of Shetland Charitable Trust, I have set out below my interests in accordance with the Trust's Code of Conduct.

Current employment and any previous employment in which you continue to have a financial interest	
Appointments (voluntary or otherwise) e.g. trusteeships, local authority membership, tribunals etc.	
Membership of any professional bodies, special interest groups or mutual support organisations	
Ownership or lease of land and property	
Investments in unlisted companies, partnerships and other forms of business, major shareholdings	
Any tenancy of land owned by the Trust	
Any gifts of hospitality offered to you by external bodies and whether this was declined or accepted in the last twelve months	
Any contractual relationship with the Trust	
Any use, or care for a user of, the Trust's services	
Any other conflicts not covered by the above	

To the best of my knowledge, the above information is complete and correct.

I undertake to update as necessary the information provided, and to review the accuracy of the information on an annual basis. I give my consent for it to be used for the purposes described in the Code of Conduct and for no other purpose.

Signed: _____

Position with Trust: _____

Date: _____

Note to Trustees completing the form

Please give details of the interest and whether it applies to you or, where appropriate, a member of your immediate family or an individual or organisation with which you have a close personal connection.

Appendix C

SCHEDULE OF GOVERNANCE ARRANGEMENTS

1 Definitions:-

In this Schedule of Governance Arrangements:-

“Appointed Trustee” means a trustee appointed or re-appointed by the Trustees under Paragraph 4 and shall include the First Appointed Trustees unless the context requires otherwise;

“Appropriate Officer” means the Chief Executive of Shetland Islands Council, or other officer designated by Shetland Islands Council for the purposes of this Schedule;

“Councillor” means an elected member of Shetland Islands Council;

“Councillor Trustee” means a Councillor appointed or re-appointed under Paragraph 5 and shall include the First Councillor Trustees unless the context requires otherwise;

“Existing Trustees” means the granters of the 2012 Deed of Trust and their successors;

“Effective Date” means such date as shall be determined by the Existing Trustees and shall be not later than 31st March 2013 and in the event of no determination by the Existing Trustees, 31st March 2013; per Trustee Meeting of 13th December 2012, the Effective Date was determined as 20th February 2013.

“First Appointed Trustee” and “First Councillor Trustee” means a trustee appointed as such under Paragraph 9;

“Local Government Election” means an ordinary election of councillors to Shetland Islands Council;

“Schedule” means this Schedule of Governance Arrangements;

“Selection Panel” means such persons appointed by the Trustees under Paragraph 7;

“Shetland Islands Council” means Shetland Islands Council constituted in terms of the Local Government etc (Scotland) Act 1994 and its statutory successors from time to time as such local or other governmental authority representative of the Shetland Islands or the inhabitants of the area;

“Term” means for Appointed Trustees the term of office from the date of appointment until retiral as specified in Paragraph 4(c) and for Councillor Trustees the term of office from the date of appointment until retiral as specified in Paragraph 5(b);

“Trustees” includes Appointed Trustees, First Appointed Trustees, Councillor Trustees and First Councillor Trustees and references to Trustees shall include the Existing Trustees and the Remaining *ex officio* Trustees as defined in sub-paragraph 9(c)(i) unless the context requires otherwise.

2 Trustees

Trustees shall be principally resident in the Shetland Islands and in the event that any Trustee ceases to be so resident such Trustee shall be deemed to have demitted office as a Trustee on the date he ceases to be so resident.

3 Number and Body of Trustees

Subject to the provisions of Paragraph 9 relating to the transition to the new governance arrangements:-

- (a) the Trustees shall normally be fifteen in number and any vacancy shall be promptly filled;
- (b) the body of Trustees shall be made up of seven Councillor Trustees and eight Appointed Trustees;
- (c) notwithstanding any vacancy in the number of Trustees at all times there shall be deemed to be a full complement of Trustees;
- (d) no Trustee may serve for more than two consecutive Terms and once a Trustee has demitted office there must then be a break of at least two years before any subsequent Term. Any Trustee re-appointed following a break of two years will be deemed not to have served any prior term for the purposes of this Schedule.

4 Appointed Trustees

- (a) The Trustees shall, on the recommendation of the Selection Panel, appoint Appointed Trustees.
- (b) Subject to sub-paragraph (c) below, Appointed Trustees shall serve a Term and shall be eligible for re-appointment for one further Term thereafter.
- (c)
 - (i) One half of the First Appointed Trustees appointed under Paragraph 9(a)(i) shall retire on 30th November, 2014 and the remaining one half shall retire on 31st May 2019.
 - (ii) Appointed Trustees appointed on the retiral of the First Appointed Trustees due to retire on 30th November 2014 shall retire on 31st May 2019.
 - (iii) Appointed Trustees appointed as and from 31st May, 2019 shall retire on the 31st May occurring every fourth year after 31st May, 2019.
- (d) In the event (i) that all vacancies have not been filled, or (ii) of any vacancy occurring by the death, resignation or otherwise of any Appointed Trustee before the completion of his Term, on the recommendation of the Selection Panel, the Trustees may appoint any person to fill the vacancy and such Appointed Trustee shall retire when the Term of the vacancy being filled would in ordinary course have expired and shall be deemed to have served one Term on such retiral.

- (e) No Councillor may be an Appointed Trustee and in the event that any Appointed Trustee, during his Term is elected as a Councillor, he will demit office as an Appointed Trustee.

5 Councillor Trustees

- (a) Shetland Islands Council may by notice in writing, signed on its behalf by an Appropriate Officer and given to the Trust appoint a Councillor Trustee or Councillor Trustees.
- (b) Councillor Trustees shall retire one calendar month after the date of the Local Government Election next following the date on which they took up office as a Councillor Trustee.
- (c) In the event that a Councillor Trustee, other than a Councillor Trustee retiring as a Councillor on the day on which the poll is held at the Local Government Election next following the day on which he was elected, ceases to be a Councillor whether by death, resignation as a Councillor or otherwise he shall be deemed to have demitted office as a Trustee on such date as he demits office as Councillor.
- (d) In the event (i) that all vacancies have not been filled following either the Effective Date or a Local Government Election, or (ii) of any vacancy occurring in the number of Councillor Trustees whether by death, resignation as a Trustee, demitting office in terms of sub-paragraph (c) above or otherwise of such Councillor Trustee before the completion of his Term, Shetland Islands Council may appoint a Councillor to fill such vacancy and such Councillor Trustee shall retire one calendar month after the date of the Local Government Election next following the date on which he took up office as a Councillor Trustee and shall be deemed to have served one Term on such retirement.

6 Quorum, Chair and Trustees' Meetings

- (a) No business shall be transacted at a meeting of the Trustees unless a quorum is present and any and all such business shall be decided by a majority of the Trustees present and voting thereon. In the event of an equality of votes, the Chair of the Trust, or in his absence the Vice-Chair, or in the absence of both, the person presiding at the meeting shall have the second or casting vote.
- (b) The quorum for a meeting of the Trustees shall be six of whom at least three must be Appointed Trustees.
- (c) There shall be a Chair and Vice Chair of the Trust. The Chair and Vice Chair shall be elected by the Trustees for the remainder of their current Term and shall be eligible for re-election for a further Term thereafter.
- (d) Trustees shall be required to attend in person at least one-half of Trustee meetings in each financial year of the Trust and if they do not such failure to attend may be treated as grounds on which the remaining Trustees may remove such Trustee by a resolution passed by a 75% majority of those attending and voting thereon.

7 Selection Panel

- (a) The Trustees shall establish a Selection Panel to guide the Trustees in relation to the selection of appropriate individuals for appointment as Appointed Trustees.
- (b)
 - (i) The Selection Panel established in relation to the selection of individuals for appointment as the First Appointed Trustees shall comprise an independent Chair appointed by the Trustees but who shall not be a Trustee of the Trust and two existing Trustees at least one of whom must not be a Councillor.
 - (ii) Thereafter, the Selection Panel so established shall comprise an independent Chair appointed by the Trustees but who shall not be a Trustee of the Trust and two Trustees at least one of whom must be an Appointed Trustee.

8 Annual General Meetings

- (a) An Annual General Meeting shall be held in public once in every financial year at such time (within a period of not more than 15 months after the holding of the last Annual General Meeting) and place as may be determined by the Trustees.
- (b) The Chair, or in his absence for any reason the Vice-Chair, or in the absence of both for any reason a Trustee present and chosen by the other Trustees present shall preside as Chair of the Annual General Meeting.
- (c) At least 21 clear days' notice must be given of the Annual General Meeting, such notice being published on the Trust's website and in a local newspaper specifying the time and place of the meeting.
- (d) The purpose of the Annual General Meeting will be to present the Annual Report of the Trustees and such other business as the Trustees may decide.

CT1303005 (adopted)
(last amended 12 May 2016 – CT1605020)
CT1709021 – Appendix B



ADMINISTRATIVE REGULATIONS

SC027025

TURCAN CONNELL

SOLICITORS AND ASSET MANAGERS

PRINCES EXCHANGE, 1 EARL GREY STREET, EDINBURGH, EH3 9EE

Telephone 0131 228 8111 Fax 0131 228 8118

DX 723300 Edinburgh 43 LP | Edinburgh 14

E-mail enquiries@turcanconnell.com www.turcanconnell.com

Shetland Charitable Trust
ADMINISTRATIVE REGULATIONS

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Appendix A – Code of Conduct for Trustees

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Appendix C – Schedule of Governance Arrangements

1. CONSTITUTION

1.1 Terms of Reference

- 1.1.1 The Shetland Charitable Trust (“the Trust”) is a charity registered in Scotland with charity number SC027025. It is governed by its Deed of Trust now comprising Appendix B of the Resolution by the Trustees in implement of the 2016 Re-organisation Scheme dated 15th May 2017 and registered in the Books of Council and Session on 23rd May 2017 (“the Trust Deed”).
- 1.1.2 These Administrative Regulations are granted in furtherance of Clause (FOURTH) of the Deed of Trust (“these Regulations”).

2. TRUSTEES OF THE TRUST

2.1 Roles and Duties

- 2.1.1 Trustees must set and thereafter implement the strategic aims, objectives and direction of the Trust. Trustees must exercise overall control over financial affairs and ensure the completion of the relevant statutory reports, returns and accounts.
- 2.1.2 Trustees must act in the interests of the Trust at all times. They must promote the success of the Trust in the way that they think, in good faith, would be most likely to help the Trust achieve its purposes.
- 2.1.3 Trustees must try, in good faith, to ensure that the Trust acts in a way which is consistent with its purposes as set out in the Trust Deed.
- 2.1.4 Trustees must act with the care and diligence that it is reasonable to expect of a person who is managing the affairs of another person.
- 2.1.5 Trustees must manage conflicts of interest if they have (or can have) a direct or indirect interest which conflicts or might conflict with the interests of the Trust. They must put the interests of the Trust before those of anyone responsible for their appointment. They must also declare the nature and extent of any interest, direct or indirect, which they have in a proposed transaction or arrangement.
- 2.1.6 Trustees must ensure that the Trust complies with any direction, requirement, notice or duty imposed on it as a result of the Charities and Trustee Investment (Scotland) Act 2005 ("the Charities Act").
- 2.1.7 Trustees must take any steps that are reasonably practicable to ensure that any breach of duty by a fellow Trustee is corrected and not repeated and also that any Trustee who seriously or persistently breaches his/her duties is removed as a Trustee.
- 2.1.8 Trustees must act within their powers and only exercise those powers for the purposes for which the powers were granted.
- 2.1.9 Trustees must exercise independent judgement. They must not accept benefits from third parties which might give rise to a conflict of interests and which are given because of the Trustee's position or because of an action they can take.
- 2.1.10 Trustees must attend meetings regularly and, unless a task is delegated, must act together to take decisions affecting the Trust. Trustees nonetheless also retain ultimate responsibility for even delegated decisions.
- 2.1.11 Trustees recognise that decisions are taken collectively and, once taken, that they must unite behind them and accept them as binding.
- 2.1.12 Trustees will appraise their collective performance annually, with an external evaluation every four years. This is in addition to the individual appraisals of Trustees to be undertaken in terms of paragraph 2.4.3.
- 2.1.13 Trustees must act in accordance with not only charity law but the law in general.
- 2.1.14 Trustees must take professional advice where appropriate or necessary.

2.2 Code of Conduct

- 2.2.1 All Trustees shall be required to accept and sign and return to the Trust the 'Code of Conduct' set out in Appendix A.
- 2.2.2 Trustees may be subject to another Code of Conduct, which applies to them by virtue of a professional body of which they are a member. In the event that any such code or other duty to which a Trustee is subject to imposes a higher standard than imposed by these Regulations, then that Trustee must follow that higher standard.

2.3 Appointment of Trustees

- 2.3.1 All Trustees shall be appointed, and retire, in accordance with the Schedule of Governance Arrangements appended to the Trust Deed an extract of which is reproduced as Appendix C.

2.4 Induction

- 2.4.1 All new Trustees and those re-appointed for a second successive term shall receive an induction pack which will include the following:-
- the Trust Deed
 - the most recent audited accounts
 - the Code of Conduct
 - the Register of Interest Form
 - guidance on duties as Trustees.

In addition, such induction pack may include information on the Trust's strategy and administration and copies of any policies and other guidance as is appropriate to include.

- 2.4.2 All new Trustees shall have a meeting with at least one of the Chair, the Vice Chair, and the Chief Executive and shall be required to undertake introductory Trustee training which will be provided.
- 2.4.3 All Trustees shall have an annual appraisal with the Chair. The Chair shall be appraised annually by the Chair of the Audit and Governance Committee.
- 2.4.4 All Trustees shall be required to undertake such training as required.

2.5 Election of Chair

- 2.5.1 The election of the Chair will be the first business transacted at the first Trustees' meeting following the retiral of the outgoing Chair. At that meeting, until the Chair is elected, the outgoing Chair, failing whom a Trustee selected by the meeting, shall preside. A person holding the office of Chair shall be eligible for re-election as Chair for one further term thereafter.
- 2.5.2 Prior to voting, nominations for the position of Chair shall be sought and nominees shall be permitted to address the meeting as to their candidature. No questions will be permitted in response, and no further nominations will be allowed after voting begins.
- 2.5.3 If there is only one candidate, that candidate shall be elected. If there is more than one candidate, voting shall be by secret ballot. Regardless of the number of candidates, each Trustee will vote for one candidate at each ballot. After the first ballot, the candidate who secures a clear majority of the total votes cast shall be elected. However, in the case of no clear majority, the lowest scoring candidate shall drop out and the second ballot will take place.

This method shall continue until the appointment is made either by clear majority or a choice between two remaining candidates. In the case of an equality of votes, the Chair shall be elected by lot as between those who received equal votes, and proceed on the basis that the person to whom the lot falls upon had received the additional vote.

- 2.5.4 If a casual vacancy arises in the office of Chair, an election to fill the vacancy shall be held as soon as practicable. The Vice Chair of the Trust shall act as the Chair until such time as a new Chair is elected. The notice of the Trustees' meeting at which the election is to be held shall specify the filling of the vacancy as an item of business and election shall take place in the usual manner.

2.6 Duties and Responsibilities of Chair

- 2.6.1 The duties of the Chair of the Trust are set out below.
- 2.6.2 The Chair's overall purpose is to provide leadership and direction to the Trustees, enabling them to fulfil their responsibilities for the overall governance and strategic direction of the Trust and also for developing the Trust's aims, objectives and goals in accordance with the governing document, legal and regulatory guidelines.
- 2.6.3 The Chair will work with the Chief Executive to ensure that Trustee decisions are acted upon and the Trust is managed in an effective manner.
- 2.6.4 The Chair's main responsibilities are:
- a. chairing Trust meetings;
 - b. leading the trustees and members of the staff to develop strategic plans for the Trust;
 - c. with the Chief Executive, ensuring that the Trust is run in accordance with the decisions of the trustees and the Trust's governing document;
 - d. liaising with the relevant staff to draft agendas for trustee meetings and ensure that the business is covered efficiently and effectively in those meetings;
 - e. manage matters relating to conflicts of interest;
 - f. carrying out Trustees' annual appraisals required in furtherance of paragraph 2.4.3.
- 2.6.5 Other duties of the Chair are:
- a. taking action on behalf of the Trust on matters which will not admit of delay;
 - b. speaking with the press or other media on behalf of the Trust;
 - c. acting as "spokesperson" for the Trust in other situations;
 - d. representing the Trust at functions;
 - e. representing the Trust on external bodies.

2.7 Vice Chair

- 2.7.1 A Vice Chair will be elected in the same manner as the Chair. The Vice Chair shall substitute for the Chair as and when required and support the Chair in fulfilling the duties set out above. Anything authorised or required to be done by, to or before the Chair may, in the Chair's absence or where the Chair's authorisation has been granted, be done by, to or before the Vice Chair. The Vice Chair will be eligible for re-election for one further term thereafter.

2.8 Advisory Councils or Committees

2.8.1 The Trustees have power in terms of the Trust Deed to create an Advisory Council or Councils or Committee or Committees (referred to in these Regulations as “committees”) to act along with the Trustees and/or advise them on all or any of the objects of the Trust provided always that the creation, constitution, membership and continuance of any such committees shall be entirely at the discretion of the Trustees.

2.9 Conflicts of Interest

2.9.1 Trustees have a duty to manage any conflicts of interest. Conflicts of interest may create problems, such as:

- (a) inhibit free discussion;
- (b) result in decisions or actions that are not in the interests of the Trust; and
- (c) risk giving the impression that the Trust has acted improperly.

2.9.2 In law, conflicts of interest may arise in circumstances where there is a conflict or the potential of a conflict of interest between:-

- (a) the personal interests of a Trustee and those of the Trust; and
- (b) the concerns of two different organisations to which a Trustee is affiliated;

Further, in terms of Section 66 (c) of the Charities Act Trustees must:-

“in circumstances capable of giving rise to a conflict of interest between the Trust and any person responsible for the appointment of the Trustees:-

- (i) put the interests of the Trust before those of the other person;
or
- (ii) where any other duty prevents the Trustee from doing so, disclose the conflicting interest to the Trust and refrain from participating in any deliberation or decision of the other Trustees with respect to the matter in question.”.

2.9.3 Generally, in deciding whether a conflict, or a potential conflict, of interests exists, Trustees should consider whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it would be likely to prejudice a Trustee’s discussion or decision-making in his/her role as a Trustee.

Declarations of Interest

2.9.4 Accordingly, Trustees are asked to declare their interests, as follows:-

- (a) current employment and any previous employment in which they continue to have a financial interest;
- (b) appointments (voluntary or otherwise) e.g. trusteeships, directorships, local authority membership, tribunals, etc;
- (c) membership of any professional bodies, special interest groups or mutual support organisations;
- (d) ownership or lease of land and property;
- (e) ownership and interests in companies (with limits specified);
- (f) any tenancy of premises owned by the Trust;
- (g) gifts or hospitality offered by external bodies and whether this was declined or accepted in the last twelve months;
- (h) any use, or care for a user of, the Trust's services;
- (i) any contractual relationship with the Trust or its subsidiary.

Interests will be recorded on the Trust's Register of Interests, which will be maintained by the Chief Executive.

2.9.5 The information provided will be processed in accordance with data protection principles and data will be processed only to ensure that Trustees act in the best interests of the Trust. The information provided will not be used for any other reason.

Management of Conflicts of Interest at Trustees' Meetings

2.9.6 Subject to clause 2.9.7, a Trustee must declare an interest, refrain from taking part in the deliberations and withdraw from the room where circumstances arise capable of giving rise to a conflict of interest between the Trust and:

- (a) a Trustee or a person with whom a Trustee is connected;
- (b) a Trustee, or a person with whom the Trustee is connected, as a user of the Trust's Services;
- (c) an organisation to which a Trustee is affiliated, i.e. owes a fiduciary duty to; and
- (d) a person responsible for the appointment of a Trustee.

2.9.7 If circumstances arise capable of giving rise to a conflict of interest between the Trust and the parties described in sub paragraphs 2.9.6 (a), (b) or (c) but such circumstances cannot reasonably be regarded as likely to give rise to a conflict of interest then a Trustee:-

- (a) must declare the interest, and
- (b) may take part in the deliberations and decision-making process.

2.9.8 If a Trustee fails to declare an interest that is known to any other Trustee, then such other Trustee shall draw it to the attention of the Chair of the Trust and the Chair will declare that interest at the outset of the discussion and the Trustee who has failed to declare the interest must act accordingly in terms of clause 2.9.6.

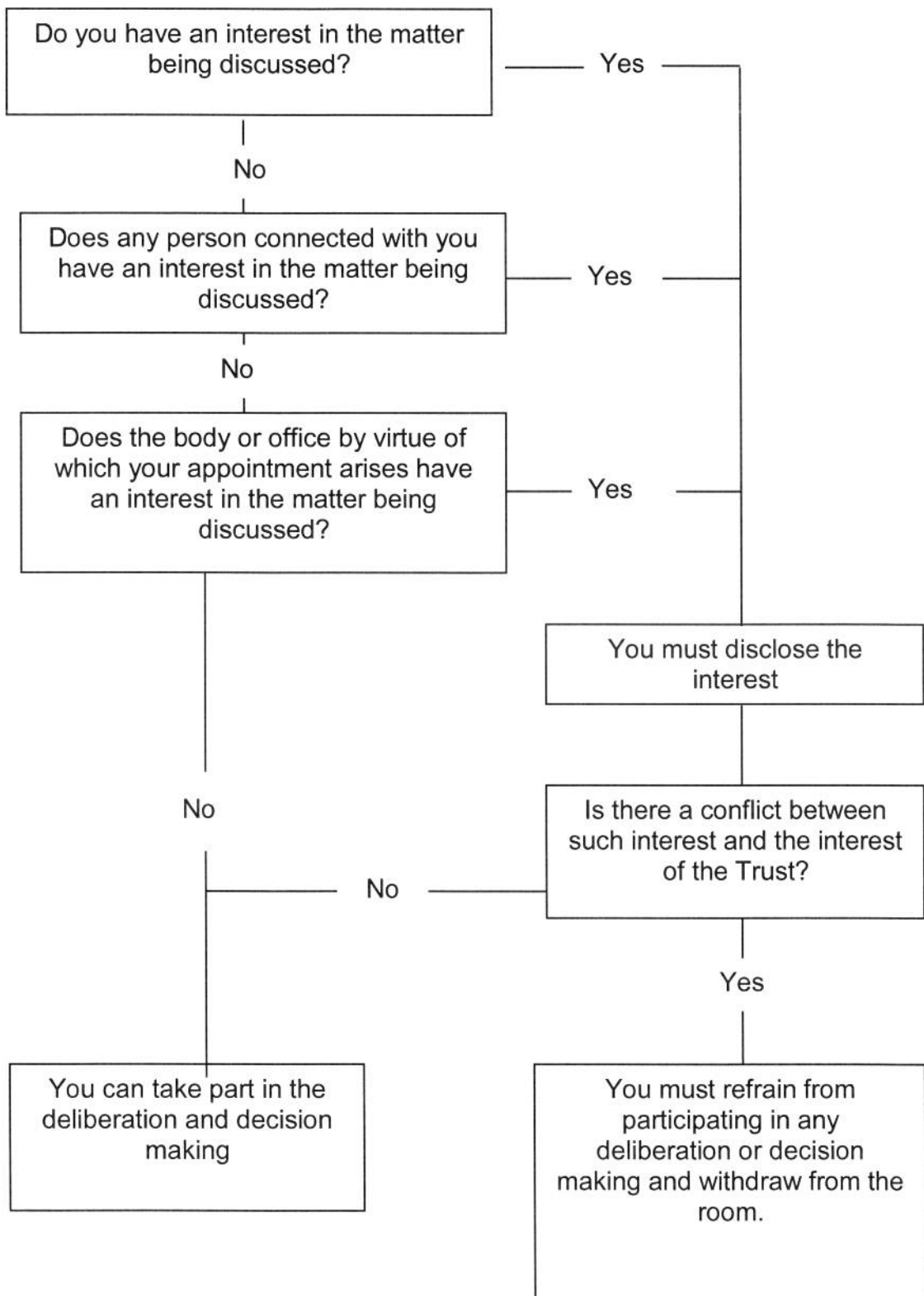
2.9.9 With reference to Clause 2.9.6 the following persons are “connected” with the Trustee

- (a) Any person
 - (i) to whom the Trustee is married;
 - (ii) who is a civil partner of the Trustee; or
 - (iii) with whom the Trustee is living as husband and wife or, where the Trustee and the other person are of the same sex, in equivalent relationship.
- (b) Any child, parent, grandchild, grandparent, brother or sister of the Trustee (and any spouse of any such person)
- (c) Any institution which is controlled (whether directly or through one or more nominees) by
 - (i) the Trustee;
 - (ii) any person with whom the Trustee is connected by virtue of paragraph (a), (b), (d) or (e) or
 - (iii) two or more persons falling within sub-paragraph (i) or (ii), when taken together.
- (d) A body corporate in which
 - (i) the Trustee has a substantial interest;
 - (ii) any person with whom the Trustee is connected by virtue of paragraph (a), (b), (c) or (e) has a substantial interest or
 - (iii) two or more persons falling within sub-paragraph (i) or (ii) when taken together have a substantial interest.
- (e) A Scottish partnership in which one or more of the partners is
 - (i) the Trustee or
 - (ii) a person with whom the Trustee is virtue of paragraph (a) or (b) connected.

2.9.10 For the purposes of the foregoing a person who is

- (a)
 - (i) another person’s stepchild, or
 - (ii) brought up or treated by another person as if the person were a child of the other person, is to be treated as that person’s child;
- (b) able to secure that the affairs of an institution are conducted in accordance with the person’s wishes is to be treated as being in control of the institution; and
- (c)
 - (i) interested in shares comprised in the equity share capital of a body corporate of a nominal value of more than one-fifth of that share capital; or
 - (ii) entitled (whether directly or through one or more nominees) to exercise, or control the exercise of, more than one-fifth of the voting power at any general meeting of a body corporate, is to be treated as having substantial interests in the body corporate.

2.9.11 The Office of the Scottish Charity Regulator (“OSCR”), established by the Charities Act, has published guidance for Trustees which deals with, amongst other things, the general duties of Trustees and conflicts of interest. It is worth noting that this is OSCR’s interpretation of the duties in terms of the Charities Act and does not itself have any binding effect on Trustees. It is however published guidance circulated by OSCR and ought to be given due consideration when a decision is being made with regard to whether or not a conflict of interest exists. A flow chart follows, summarising how a Trustee ought to manage Conflicts of Interest.



3. MANAGEMENT OF THE TRUST

3.1. Composition and Function of the Management

- 3.1.1 Trustees shall ensure that the following services are always available to the Trust:
- Co-ordination and management;
 - Financial services
 - Investment services.
 - Trust and taxation legal services; and
 - Administrative and secretarial services
- 3.1.2 The Trustees shall appoint Senior Management and such professional advisers to carry out the functions of the Trust.
- 3.1.3 Employees and/or officials acting on behalf of the Trust and applicants for employment may not canvass Trustees.
- 3.1.4 No employee and/or official acting on behalf of the Trust may attend any unofficial meeting of a group of Trustees.

4. BUSINESS OF THE TRUST

4.1 Trustee Meetings

- 4.1.1. Dates of Trust meetings will be set and notified to the Trustees in November, for the following year.
- 4.1.2 A special meeting of the Trustees may be called at any time by:
the Chair of the Trust; or
on the request of 6 Trustees.
- 4.1.3 On receipt of a requisition under Regulation 4.1.2, the Chief Executive or such other person as is authorised by him/her shall call a special meeting, which shall be held within 14 days of the receipt of such requisition by the Chief Executive or such other person as is authorised by him/her.
- 4.1.4 Unless specified otherwise in these Regulations, no business shall be transacted at a meeting of the Trust unless a quorum is present. The Schedule of Governance Arrangements prescribes the quorum provisions as follows:-

Number of Trustees Present	Quorum	
	Quorum	Number of Selected Trustees
6	6	3
7	6	4
8	6	4
9	6	5
10	6	5
11	6	6
12	7	6
13	7	7
14	8	7
15	8	8

In determining whether Trustees are present at a meeting of the Trust, it is irrelevant where any Trustee is or how they communicate with each other.

- 4.1.5 If the Chair finds that the quorum is wanting, the fact shall be announced and a period of 30 minutes shall elapse after which, if a quorum is then wanting, the meeting shall end, and the remaining business be carried forward.
- 4.1.6 No business shall be transacted at a meeting of the Trust other than that specified in the summons relating thereto.
- 4.1.7 Notwithstanding paragraph 4.1.6 hereof, at his or her discretion the Chair may bring forward at a meeting of the Trust any business.
- 4.1.8 Any trustee, who must have the support of at least two other trustees, may request that an item of business is considered at a meeting of the Trust. Such request must be made in writing to either the Chair and/or the Chief Executive, setting out at least the nature of the business together with the reasons why it should be considered. It will then be at the discretion of the Chair and the Chief Executive as to whether the item of business becomes an

item of business at the next meeting of the Trustees or whether it is first considered by a committee.

4.1.9 Four clear days before a meeting the agenda paper for the meeting shall be sent to the Trustees of the Trust, and no other business, unless the Chair judges it urgent, shall be brought before the meeting.

4.1.10 At each Trustee Meeting there shall be a report (verbal or written) tendered by any committees and working groups of the Trust.

4.2 Conduct of Meetings

4.2.1 At a meeting of the Trust the Chair, if present, shall preside. If the Chair is absent, the Vice Chair of the Trust, if present shall preside. If the Chair and Vice Chair are both absent, another Trustee chosen by the Trustees present shall preside.

4.2.2 The ruling of the Chair (in which the Chair shall have the benefit of the advice of the Chief Executive or such other person as is authorised by the Chair) as to the construction or application of the Regulations shall not be challenged at any meeting of the Trust. The Chair may at any time, if the Chair thinks it desirable in the interests of order, adjourn a meeting or suspend a sitting of the Trust for a time to be named by the Chair.

4.2.3 Unless otherwise specified herein, all questions coming or arising before the Trust shall be decided by a majority of the Trustees present and voting thereon at a meeting of the Trust.

4.2.4 In the case of an equality of votes the person presiding at the meeting shall have a second or casting vote except where the matter which is the subject of the vote relates to the appointment to any particular office or committee or sub-group, in which case the decision shall be by lot.

4.2.5 If a Trustee disregards the chair, the Chair may order their removal from the room, or suspend the sitting for a specified time.

4.2.6 All meetings of the Trust shall be open to the public provided that the Trust may by resolution exclude the public from a meeting (whether during the whole or part of the proceedings) whenever, in the sole opinion of the Trustees, publicity would be prejudicial to the Trust by reason of the confidential nature of the business to be transacted or for other special reasons stated in the resolution and arising from the nature of that business or of the proceedings.

4.2.7 After warning, the Chair may order the removal from the room of any member of the public causing disturbance.

4.3 Minutes

4.3.1 Minutes will be taken at all Trustees' meetings and the Annual General Meeting.

4.3.2 In the case of a Trustee meeting, the minutes will be circulated to all Trustees, and submitted to and signed at the next Trustee meeting as appropriate. In the case of the Annual General Meeting, the minutes will be signed by the Chair once approved and circulated to all Trustees with the notice of the following Annual General Meeting. Any minute purporting to be so signed shall be received in evidence without further proof.

- 4.3.3 In the case of a committee or working group meeting, a minute of action points arising shall be recorded and maintained as necessary and their implementation monitored by the Chief Executive or the committee or working group as appropriate.

4.4 Confidentiality

- 4.4.1 Documents containing information which in the interests of the Trust ought not to be divulged will be marked as confidential.
- 4.4.2 The Chief Executive or such other person as is authorised by him/her shall classify all documents for presentation to the Trust and any committees or sub-groups of the Trust, and mark accordingly those classified as confidential, such classification being subject to the approval of the Trust and/or the relevant committee or sub-group as appropriate. He or she shall remove this marking when it is no longer, in his or her view, required, for a complete document or for part of it. Confidential documents or their contents shall not be referred to in public and their contents shall in no circumstances be quoted in public or divulged. The advice or opinions of employees and/or officials acting on behalf of the Trust, as opposed to factual information provided by them, contained in documents, whether classified or not, shall not be divulged at any time as being those of the employees and/or officials acting on behalf of the Trust.
- 4.4.3 The production in response to a request by a Trustee of a specified document or documents, whether circulated or not, which has not or have not been presented to the Trust or a committee shall be at the discretion of the Chair of the Trust.

4.5 Signing of Documents

- 4.5.1 Any document to be executed for and on behalf of the Trust shall be signed by any 3 of the 15 Trustees, and these signatures shall be full and sufficient certificate that the document has been duly and validly executed for and on behalf of the Trust in compliance with all the regulations of the Trust.

4.6 Expenses

- 4.6.1 Each Trustee shall be entitled to reimbursement of all expenses reasonably incurred by him or her in connection with the necessary performance of his or her duties as Trustee.
- 4.6.2 Any Trustee who wishes to submit an expenses claim for incidental expenses must do so in any format set down by the Chair. Receipts must be attached and where receipts are not available, an explanation must be given for the failure to produce a receipt.
- 4.6.3 The Chair shall be entitled to introduce a requirement for prior approval of expenses or a cap on the maximum level of permitted expenses in relation to

expenses for all or some of the Trustees and in relation to some or all expenses. Where the procedure does not apply uniformly to all Trustees, there must be a reasonable justification for it being introduced in a targeted manner.

- 4.6.4 It shall be the duty of the Chief Executive's office to keep a record of all expense claims.

5. AMENDMENT

5.1 Amendment of Administrative Regulations

- 5.1.1 Amendments may be effected by submitting a written proposal to a trust meeting, notice of which has been circulated to all Trustees in advance of the meeting.

Appendix A

CODE OF CONDUCT FOR TRUSTEES

I will respect and uphold the objects of the Trust, as set out in the Deed of Trust.

I recognise that it is included in this ambition that:

General Responsibilities of Trustees

- I will act within the Deed of Trust and the law and will abide by the policies and procedures of the Trust. It is my responsibility to have a sound knowledge of the contents of the Deed of Trust, the Administrative Regulations, relevant policies, plans and procedures;
- I will support the objects of the Trust and will champion it using any skills or knowledge I have to further that mission, and I will seek expert advice where appropriate;
- I will help to set and maintain the Trust's values and standards;
- I will be an active Trustee, making my skills, experience and knowledge available to the Trust, and I will seek to do what additional work I can outside Trustee meetings, including sitting on sub-committees and sub-groups. I will make sure that I am able to commit sufficient time to ensure that I am an effective member of the Board of Trustees;
- I will respect organisational, board and individual confidentiality, while never using confidentiality as an excuse not to disclose matters that should be transparent and open;
- I will develop and maintain a sound and up-to-date knowledge of the Trust, its financial, risk and business planning and its environment. This will include having an understanding of how the Trust functions, the social, political and economic environment in which it operates, scrutinising its goals and objectives, monitoring the reporting of performance and progress and understanding the nature and extent of its work;
- I will use the Trust's resources responsibly and when claiming expenses will do so in line with the Trust's procedures;
- I will seek to be accountable for my actions as a Trustee of the Trust and will submit myself to whatever scrutiny is appropriate;
- I accept my responsibility to ensure that the Trust is well run and will raise issues and questions in an appropriate and sensitive way to ensure that this is the case.

Managing Interests

I will not gain, materially or financially, from my involvement with the Trust unless specifically authorised to do so by the board in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005, nor will I gain benefits for family, friends or other organisations to which I belong.

I will act in the best interests of the Trust as a whole, and not as a representative of any group. I will consider what is best for the Trust and its present and future beneficiaries and stakeholders and will avoid bringing the Trust into disrepute.

Unless authorised, I will not put myself in a position where my personal interests conflict with my duty to act in the interests of the Trust. Where there is a conflict of interest I will ensure that this is managed effectively in line with the Trust's policy. I understand that a failure to declare a conflict of interest may be considered to be a breach of this code.

I will inform the Chief Executive of any changes to the list of organisations of which I have board level membership or where I have responsibilities which may be seen to conflict with my role as a Trustee of the Trust.

I will inform the Chief Executive if I accept appointments to other organisations.

Meetings

I recognise that as a Trustee it is mandatory to attend all appropriate meetings and other appointments of the Trust or give apologies.

I will prepare fully for all meetings and work for the Trust. This will include reading papers, querying anything I do not understand, thinking through issues before meetings and completing any tasks assigned to me in the agreed time.

I will actively engage in discussion, debate and voting in meetings; contributing in a considered and constructive way, listening carefully, challenging sensitively and avoiding conflict.

I will participate in collective decision making, accept a majority decision of the Board of Trustees and will not act individually unless specifically authorised to do so.

Where I am a member of a committee or sub-group, I will take all reasonable steps to ensure that other Trustees are kept fully up-to-date with information upon which decisions may be taken.

I will take joint responsibility for decisions taken, including those determined by a nominated committee and sub-groups and recognise that I am accountable to stakeholders. I will submit to whatever scrutiny is appropriate.

Governance

I will actively contribute towards improving the governance of the Board, participating in induction and training and sharing ideas for improvement with the Board of Trustees.

I will help to manage the Trust with care, diligence and skill, taking professional advice where appropriate. I understand that I am not expected

to possess expertise other than that which might reasonably be expected of me.

Relations with others

I will endeavour to work considerately and respectfully with all those I come into contact with at the Trust. I will respect diversity, different roles and boundaries, and will avoid causing intentional offence.

I recognise that the roles of Trustees, volunteers and staff of the Trust are different, and I will seek to understand and respect the difference between these roles.

I will seek to support and encourage all those I come into contact with at the Trust who are acting in the Trust's interests. In particular I recognise my responsibility to support the Chair, the Chief Executive and the Senior Management Team.

I will not make public comments about the Trust unless authorised to do so by the Chair or the Chief Executive. Any public comments I make about the Trust will be considered and in line with organisational policy, whether I make them as an individual or as a Trustee.

Ceasing to be a Trustee

I understand that substantial breach of any part of this code may result in procedures being put in motion that may result in my being asked to resign from the Board of Trustees. Should this happen I will be given the opportunity to be heard.

If I wish to resign as a Trustee at any time, I will inform the Chair in advance in writing, stating my reasons for leaving and will agree to participate in a recorded exit interview.

Signed _____

Name _____

Date _____

NOTES

For Trustees:

This Code has been written in accordance with the Office of the Scottish Charity Regulator's "Guidance for Trustees", the Scottish Arts' Council's handbook on "Care Diligence and Skill" and The Trustee Network's booklet "Codes of Conduct for Trustees".

The purpose of this Code of Conduct is to ensure consistent application of the values and ethos of the Trust and set out the relevant standards and commitments expected of all Trustees.

For Prospective Trustees:

All new Trustees will be provided with information about what is expected of them in relation to time commitment, committee membership and involvement outside Trustees' meetings, together with copies of relevant policy documents. Opportunities will be provided to speak to an existing Trustee.

For the Trust:

The Senior Management Team of the Trust will:

- provide the Board of Trustees with timely and relevant information in order to allow the Board to govern well;
- provide the Board with advice when necessary, ensuring that external professional advisors are available as and when needed;
- work in partnership with the Board to ensure that they fulfil all of their statutory and legal responsibilities;
- invest time, money and other resources in order to help support and further develop good governance;
- provide the Board with the necessary administrative and other support that it will need to govern well, including its development needs; and
- reimburse Trustees' out-of-pocket expenses incurred in the course of their duties as Trustees in accordance with the Trust's procedures. Trustees may waive all or part of these if they so choose. Such expenses will be in line with the Trust's policy. All expense claims to be in accordance with the standing order on expenses.

Appendix B

Register of Interest Form

Name: _____

As a Trustee of Shetland Charitable Trust, I have set out below my interests in accordance with the Trust's Code of Conduct.

Current employment and any previous employment in which you continue to have a financial interest	
Appointments (voluntary or otherwise) e.g. trusteeships, local authority membership, tribunals etc.	
Membership of any professional bodies, special interest groups or mutual support organisations	
Ownership or lease of land and property	
Investments in unlisted companies, partnerships and other forms of business, major shareholdings	
Any tenancy of land owned by the Trust	
Any gifts of hospitality offered to you by external bodies and whether this was declined or accepted in the last twelve months	
Any contractual relationship with the Trust	
Any use, or care for a user of, the Trust's services	
Any other conflicts not covered by the above	

To the best of my knowledge, the above information is complete and correct.

I undertake to update as necessary the information provided, and to review the accuracy of the information on an annual basis. I give my consent for it to be used for the purposes described in the Code of Conduct and for no other purpose.

Signed:

Position with Trust:

Date:

Note to Trustees completing the form

Please give details of the interest and whether it applies to you or, where appropriate, a member of your immediate family or an individual or organisation with which you have a close personal connection.

Appendix C

SCHEDULE OF GOVERNANCE ARRANGEMENTS

1 Definitions:-

In this Schedule of Governance Arrangements:-

“Selected Trustee” means a trustee appointed or re-appointed by the Trustees under Paragraph 4 unless the context requires otherwise;

“Appropriate Officer” means the Chief Executive of Shetland Islands Council, or other officer designated by Shetland Islands Council for the purposes of this Schedule;

“Continuing Trustees” means the Trustees in office as at the Effective Date;

“Councillor” means an elected member of Shetland Islands Council;

“Councillor Trustee” means a Councillor appointed or re-appointed under Paragraph 5 unless the context requires otherwise;

“Effective Date” means such date as shall be determined by the Trustees and shall be not later than 4th June, 2017 and in the event of no determination by the Trustees, 4th June 2017;

“Local Government Election” means an ordinary election of councillors to Shetland Islands Council;

“Schedule” means this Schedule of Governance Arrangements;

“Selection Panel” means such persons appointed by the Trustees under Paragraph 7;

“Shetland Islands Council” means Shetland Islands Council constituted in terms of the Local Government etc (Scotland) Act 1994 and its statutory successors from time to time as such local or other governmental authority representative of the Shetland Islands or the inhabitants of the area;

“Term” means for Selected Trustees the term of office from the date of appointment until retiral as specified in Paragraph 4(c) and for Councillor Trustees the term of office from the date of appointment until retiral as specified in Paragraph 5(b);

“Trustees” includes Continuing Trustees, Selected Trustees and Councillor Trustees;

2 Trustees

Subject as aftermentioned, Trustees shall be principally resident in the Shetland Islands and in the event that any Trustee ceases to be so resident such Trustee shall be deemed to have demitted office as a Trustee on the date he ceases to be so resident. In exceptional circumstances, Trustees may resolve (a) that a Trustee who ceases to be principally resident in the Shetland Islands may continue in office as a Trustee notwithstanding that he or she

has ceased to be so resident; or (b) appoint as a Trustee an individual not principally resident in the Shetland Islands.

3 Number and Body of Trustees

- (a) The minimum number of Trustees shall be nine and the maximum number of Trustees shall be fifteen in number and any vacancy shall be promptly filled allowing for due process.
- (b) The body of Trustees shall comprise:-
 - (i) up to four Councillor Trustees; and
 - (ii) up to eleven Selected Trustees.
- (c) Notwithstanding any vacancy in the number of Trustees at all times there shall be deemed to be at least the minimum number of Trustees.
- (d) No Trustee may serve for more than two consecutive Terms and once a Trustee has demitted office there must then be a break of at least two years before any subsequent Term. Any Trustee re-appointed following a break of two years will be deemed not to have served any prior term for the purposes of this Schedule.

4 Selected Trustees

- (a) The Trustees shall, on the recommendation of the Selection Panel, appoint Selected Trustees.
- (b) Subject to sub-paragraph 9(b) below, Selected Trustees shall serve a Term and shall be eligible for re-appointment for one further Term thereafter.
- (c) Selected Trustees appointed as and from 4th June, 2017 shall retire on the 31st May occurring every fourth year after 4th June, 2017.
- (d) In the event (i) that all vacancies have not been filled, or (ii) of any vacancy occurring by the death, resignation or otherwise of any Selected Trustee before the completion of his Term, on the recommendation of the Selection Panel, the Trustees may appoint any person to fill the vacancy and such Selected Trustee shall retire when the Term of the vacancy being filled would in ordinary course have expired and shall be deemed to have served one Term on such retiral.
- (e) No Councillor may be a Selected Trustee and in the event that any Selected Trustee, during his Term is elected as a Councillor, he will demit office as a Selected Trustee.

5 Councillor Trustees

- (a) Shetland Islands Council may by notice in writing, signed on its behalf by an Appropriate Officer and given to the Trust appoint a Councillor Trustee or Councillor Trustees.
- (b) Councillor Trustees shall retire one calendar month after the date of the Local Government Election next following the date on which they took up office as a Councillor Trustee.
- (c) In the event that a Councillor Trustee, other than a Councillor Trustee retiring as a Councillor on the day on which the poll is held at the Local Government Election next following the day on which he was elected, ceases to be a Councillor whether by death, resignation as a Councillor or otherwise he shall be deemed to have demitted office as a Trustee on such date as he demits office as Councillor.
- (d) In the event (i) that all vacancies have not been filled following either the Effective Date or a Local Government Election, or (ii) of any vacancy occurring in the number of Councillor Trustees whether by death, resignation as a Trustee, demitting office in terms of sub-paragraph (c) above or otherwise of such Councillor Trustee before the completion of his Term, Shetland Islands Council may appoint a Councillor to fill such vacancy and such Councillor Trustee shall retire one calendar month after the date of the Local Government Election next following the date on which he took up office as a Councillor Trustee and shall be deemed to have served one Term on such retirement.

6 Quorum, Chair and Trustees' Meetings

- (a) No business shall be transacted at a meeting of the Trustees unless a quorum is present and any and all such business shall be decided by a majority of the Trustees present and voting thereon. In the event of an equality of votes, the Chair of the Trust, or in his absence the Vice-Chair, or in the absence of both, the person presiding at the meeting shall have the second or casting vote.
- (b) The quorum for a meeting of the Trustees shall be the greater of:-
 - (i) six Trustees;
 - (ii) if there is an even number of Trustees, one half of the number of Trustees plus one: or
 - (iii) if there is an odd number of Trustees, one half of the number of Trustees rounded up to the nearest whole number

of whom:-

- (i) if there is an even number of Trustees, not less than one half of the number of Trustees must be Selected Trustees; and
- (ii) if there is an odd number of Trustees, not less than one half of the number of Trustees rounded up the nearest whole number must be Selected Trustees.

- (c) There shall be a Chair and Vice Chair of the Trust. The Chair and Vice Chair shall be elected by the Trustees for the remainder of their current Term and shall be eligible for re-election for a further Term thereafter.
- (d) Trustees shall be required to attend in person at least one-half of Trustee meetings in each financial year of the Trust and if they do not such failure to attend may be treated as grounds on which the remaining Trustees may remove such Trustee by a resolution passed by a 75% majority of those attending and voting thereon.

7 Selection Panel

- (a) The Trustees shall establish a Selection Panel to guide the Trustees in relation to the selection of appropriate individuals for appointment as Selected Trustees.
- (b) The Selection Panel shall comprise:-
 - (i) an independent Chair appointed by the Trustees or an Advisory Committee established in furtherance of Clause 4 of the Schedule of Powers annexed and executed as relative to the 2012 Deed of Trust but who shall not be a Trustee of the Trust; and
 - (ii) two Trustees at least one of whom must be a Selected Trustee.
- (c) In the event that the Selection Panel is unable to recommend appropriate individuals resident in the Shetland Islands for appointment as Selected Trustees then that shall be deemed to be exceptional circumstances for the purpose of Paragraph 2

8 Annual General Meetings

- (a) An Annual General Meeting shall be held in public once in every financial year at such time (within a period of not more than 15 months after the holding of the last Annual General Meeting) and place as may be determined by the Trustees.
- (b) The Chair, or in his absence for any reason the Vice-Chair, or in the absence of both for any reason a Trustee present and chosen by the other Trustees present shall preside as Chair of the Annual General Meeting.
- (c) At least 21 clear days' notice must be given of the Annual General Meeting, such notice being published on the Trust's website and in a local newspaper specifying the time and place of the meeting.
- (d) The purpose of the Annual General Meeting will be to present the Annual Report of the Trustees and such other business as the Trustees may decide.

9 Transition etc

As at the Effective Date the Continuing Trustees:-

- (a) shall be the Trustees;

- (b) shall be deemed to have been appointed on such date prior to the Effective Date as such Continuing Trustee was first appointed as a Trustee; and
- (c) shall be deemed to have served such Term or Terms as provided for in the 2012 Deed of Trust.

REPORT

To: Shetland Charitable Trust

Date: 14 September 2017

From: Chief Executive

Report: CT1709022

Investment Review Report - Quarter to 30 June 2017

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 quarter to 30 June 2017.

2. Detail

- 2.1 This report concentrates on the three-month period from April to June 2017. The report looks at the performance of the Trust's fund managers, the overall investment performance relative to the markets, the physical movement of funds, any changes from the investment strategy, and any other relevant issues relating to the investments over the period.
- 2.2 The Trust has four fund managers with total investments under management at the end of June 2017 of £241 million. The funds, type of mandate and market values at the end of June 2017 are as follows:

Manager	Mandate	% of Reserves	Market Value £m
Baillie Gifford	Active Equity	39%	95
BlackRock	Passive Equity	36%	87
Schroders	Property	15%	36
Insight	Diversified Growth Fund	10%	23

2.3 Individual fund manager performance is detailed later but there is the need to consider the effect of the markets themselves and of any cash withdrawals or injections into the funds. The following table shows the effect on the overall investments of these factors during the three month period.

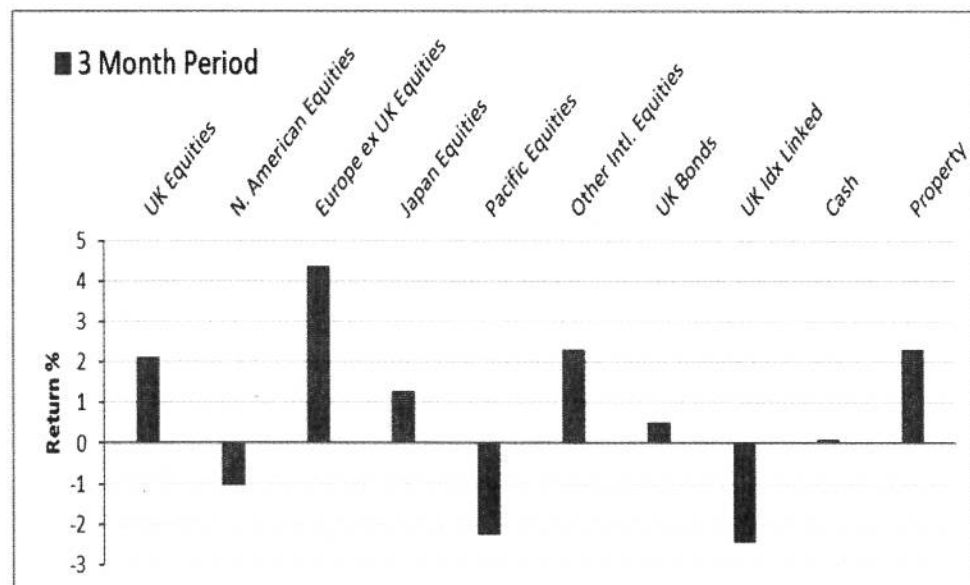
	£ Million
Market Value 31/03/17	232
Additions / (Withdrawals)	0
Investment Return	<u>9</u>
Market Value as at Jun 2017	<u>241</u>

2.4 The figures show an overall £9 million increase in value over the three month period. This increase in value is due mainly to the positive return from equity markets over the period.

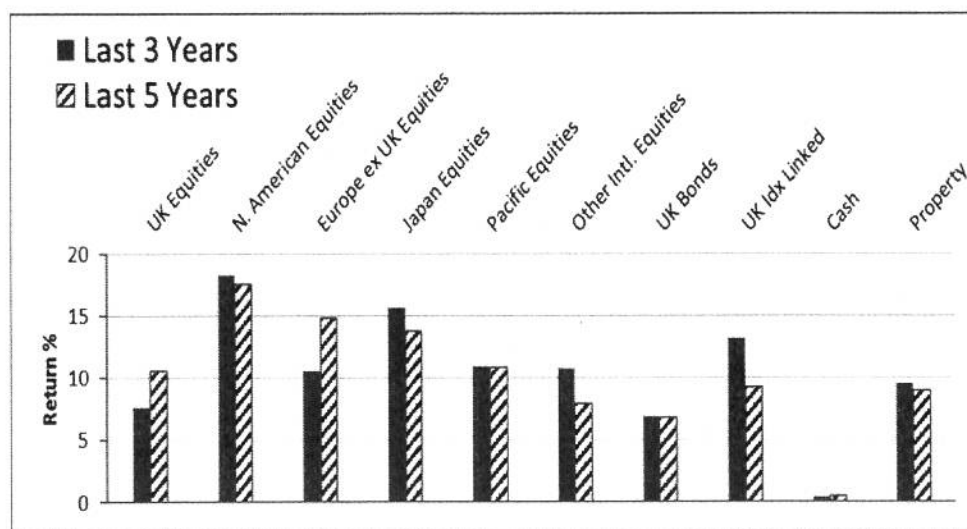
2.5 The Trust received £0.4 million of dividend income during the three month period to June 2017. This dividend was from BlackRock and is their quarterly dividend distribution from the UK equity investment, which is automatically paid into the Trust's bank account.

2.6 Over the three month period to June equity markets produced mixed returns, with Europe having a positive quarter benefitting from improved economic news and the result of the French election. The UK stock market produced positive returns over the quarter with the election dominating the news, although some market gains receded towards the end of the period. North America started the quarter in positive territory and raised interest rates in June but retail sales were muted and scepticism about the Trump Administration's success in enacting proposed legislation weighed on the market.

2.7 The investment markets performance by asset class over the three month period therefore looks like this:



- 2.8 This is only a three month snapshot of how the various investment classes and sectors have performed and it shows how, in the short term, values do fall as well as rise. History shows that investments in these asset classes over the long term are usually positive, which is the reason the investment strategy is based on a long term investment horizon. As an example of the differences in market returns over a slightly longer time period the following graph shows the same asset class returns per annum over the last three and five years.



2.9

but they may be required by the mandate agreement to invest into these markets. The main constituent of a fund's performance is the market return, where the fund is invested. A fund manager with an active mandate is asked to outperform a benchmark made up of market indexes, or cash plus a percentage return, whereas a fund manager with a passive mandate is aiming to match the market return.

- 2.10 In this environment the Trust's fund managers have, over the three month period to the end of June 2017, performed as follows:

Manager	Mandate and Benchmark	Fund Return %	Benchmark Return %	% Return Compared to Benchmark
Baillie Gifford	Equity (Active)	8.5	0.6	7.9
BlackRock	Equity (Passive)	1.6	1.5	0.1
Schroders	Property	2.4	2.3	0.1
Insight	Diversified Growth Fund	1.6	1.1	0.5

- 2.11 Baillie Gifford has an active equity mandate which invests in around 30-50 shares throughout the world. This fund is therefore volatile with returns that can be very different to the benchmark index. This is evident in the quarter to end June where Baillie Gifford returned 8.5% compared to the broad market return of 0.6%. This is a good outperformance seeks to provide diversification to BlackRock's passive fund that tries to replicate the market return.
- 2.12 The fund with BlackRock is invested passively in equities, so the fund is aiming to equal the benchmark return. BlackRock were only 0.1% way from achieving this aim over the three month period. The mandate with BlackRock over the three month period produced a return of 1.6%, which is a reflection of the mixture of returns from the various equity markets the fund invests into.
- 2.13 Schroders invests into property via a fund of funds approach where they invest in various different property funds to spread investment risk. Over the three month period the fund returned 2.4% which was just above the property benchmark.
- 2.14 Insight has a diversified growth fund mandate which invests into various different asset classes to spread risk and smooth returns. The best performing sector was equities but high yield and emerging market debt were also positive, commodities were a slight negative over the quarter. Overall Insight produced a 1.6% return which was 0.5% above the benchmark return.
- 2.15 The overall investment return for the Trust's investments for the three month period to the end of June 2017 was 4.3%, which was 3.1% above the benchmark return. This was a relatively quiet investment quarter compared to recent quarters, with Baillie Gifford's active equity fund producing the best investment return at 8.5%.

3. Financial Implications

- 3.1 The long term investments and their performance are important to the Trust and the achievements of its outcomes and objectives.
- 3.2 It is recognised that the actual investment performance each year will be different to what is expected or required, however over the long term this will be monitored and reviewed to ensure that the Trust's external investments work towards meeting its long term objectives.
- 3.3 It is not likely that the Trust can expect a positive investment return from its investments every year but having robust governance and monitoring in place mitigates the financial risks and enables the Trust to take action at appropriate times to address poor performance by the fund managers.

4. Recommendations

4.1 Trustees are asked to note this report.

Reference: IA7
Date: 30 August 2017

Report Number: CT1709022

REPORT

To: Shetland Charitable Trust

Date: 14 September 2017

From: Chief Executive

Report No: CT17009023

Small Grant Schemes - Approvals

1. Background

- 1.1 On 24 November 2016 Trustees approved its disbursements for 2017-18 (Minute Reference 55/16). A budget of £25,000 was approved for the Arts Grant Scheme and £15,000 for Senior Citizens Clubs.
- 1.2 It is a requirement that all approvals are reported to subsequent Trust Meetings.

2. Arts Grant Scheme - £4,362

- 2.1 The following Arts Grant was approved in the period 30 May 2017 – 30 August 2017

Name of Individual/Organisation	Grant Approved (£)
Elizabeth Gifford (obo Aimee Gifford)	125
Emily Williamson (obo David Williamson)	125
Marianne Clark (obo Mia Clark)	125
Melvyn Leask (obo Emma Leask)	125
Helen Tait (obo Joanne Tait)	407
Maddrim Media	859
Mhari Roberts (obo Lily Roberts)	125
Elizabeth McDowall (obo Stephanie Dowall)	125
Shirley McKay (obo Juliet Mullay)	846
Shetland Country Music Club	1,500

3. Senior Citizens Clubs – £3,004

3.1 The following Senior Citizens Club grants were approved by the Director of Community Health and Social Care, in the period 30 May 2017 – 30 August 2017

Name of Organisation	Grant Approved (£)
Islesburgh Sixty Plus	1,224
Unst Senior Leisure Club	830
Whiteness and Weisdale Good Companions	400
Walls & Sandness Senior Citizens' Club	550

4. Recommendation

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

Ref: DA1
Date: 30 August 2017

Report No: CT1709023

REPORT

To: Shetland Charitable Trust

Date: 14 September 2017

From: Chief Executive

Report: CT1709024

Management Accounts – Three Months Ended 30 June 2017

1 Introduction

1.1 The purpose of this report is to present the Trust's Management Accounts for the three months ended 30 June 2017, 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 Charitable Trust for 2017/18 and the results in the three months to 30 June 2017.

Table 1: Summary Management Accounts 2017/18

Item	Current Budget £m	Spend to June 2017 £m
Income	5.2	1
Disbursements	(8)	(4)
Management and Administration	(0.7)	(0.1)
Fund Managers Fees	(0.8)	(0.3)
Gain on Investments	-	9.3
Total	(4.3)	5.9

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 the Trust made a gain on its investments of £9.3m.

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 satisfactory financial performance to 30 June 2017 as shown in the Management Accounts in Appendix A.

Reference: DA5/1
Date: 4 September 2017

Report No: CT1709024



Shetland **Charitable Trust**

Management Accounts

3 Months Ended 30 June 2017

**Shetland Charitable Trust
Income and Expenditure
Period to 30 June 2017**

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
<u>Income</u>			
Managed fund dividends	757,406	1,686,255	(928,849)
Agricultural loan interest	509	1,787	(1,278)
Local equity gift aid	-	2,547,692	(2,547,692)
Rental income	202,481	1,000,500	(798,019)
Bank interest	879	-	879
Miscellaneous income	-	-	-
	<u>961,275</u>	<u>5,236,234</u>	<u>(4,274,959)</u>
<u>Expenditure</u>			
Agricultural loan expenditure	(43)	-	(43)
Disbursements	(4,039,482)	(8,061,238)	4,021,756
Management and administration	(102,048)	(662,821)	560,773
Fund managers	(242,006)	(805,299)	563,293
	<u>(4,383,579)</u>	<u>(9,529,358)</u>	<u>5,145,779</u>
Gain on investments	9,356,217	-	9,356,217
Surplus/(Deficit)	<u>5,933,913</u>	<u>(4,293,124)</u>	<u>10,227,037</u>

Shetland Charitable Trust
Balance Sheet
Period to 30 June 2017

	Jun-17	
	£	£
Tangible fixed assets		493,000
Investments		<u>268,448,538</u>
		268,941,538
Trade debtors	2,435	
Prepayments and Accrued income	2,392,145	
Other debtors	55,000	
Bank	<u>893,686</u>	
	3,343,266	
Trade creditors	25,520	
Accruals and deferred income	270,050	
Amounts owed to subsidiary	-	
Other creditors	<u>(779)</u>	
	294,791	
Net current assets		<u>3,048,475</u>
		271,990,013
Pension liability		(1,939,000)
		<u>270,051,013</u>
Opening reserves		264,117,100
Surplus for period		<u>5,933,913</u>
Closing reserves		<u>270,051,013</u>

Shetland Charitable Trust
Rental Income
Period to 30 June 2017

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	202,481	1,000,000	(797,519)
District heating	-	-	-
Shetland Golf Course	-	500	(500)
	<u>202,481</u>	<u>1,000,500</u>	<u>(798,019)</u>

Shetland Charitable Trust
Disbursements
Period to 30 June 2017

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Shetland Amenity Trust	617,551	1,235,102	(617,551)
Shetland Arts Development Agency	332,213	664,426	(332,213)
Shetland Recreational Trust	1,596,588	3,193,176	(1,596,588)
<u>Other Charitable Organisations</u>			
Disability Shetland Recreation Club	12,641	12,641	-
The Swan Trust	17,913	35,825	(17,912)
Shetland Churches Council Trust	13,501	27,002	(13,501)
Shetland Befriending Scheme	27,209	54,418	(27,209)
Citizens Advice Bureau	66,133	132,265	(66,132)
COPE Limited	77,484	154,967	(77,483)
Shetland Link Up	23,997	47,994	(23,997)
Voluntary Action Shetland	72,181	144,361	(72,180)
Festival Grants	15,000	15,000	-
Local Charitable Organisations	11,552	14,000	(2,448)
Royal Voluntary Service	23,493	46,985	(23,492)
Sub Total Charitable Organisations	<u>2,907,456</u>	<u>5,778,162</u>	<u>(2,870,706)</u>
<u>Schemes</u>			
Community Support Grants	-	-	-
Arts Grant Scheme	4,440	25,000	(20,560)
Senior Citizens Clubs	7,050	15,000	(7,950)
Support to Rural Care Model	1,098,422	2,196,844	(1,098,422)
Buses for Elderly and Disabled	23,116	46,232	(23,116)
Sub Total Schemes	<u>1,133,028</u>	<u>2,283,076</u>	<u>(1,150,048)</u>
<u>Direct Schemes</u>			
Planned Maintenance	-	-	-
Sub Total Direct Schemes	<u>-</u>	<u>-</u>	<u>-</u>
Surplus Grants Refunded	(1,002)	-	(1,002)
Total	<u>4,039,482</u>	<u>8,061,238</u>	<u>(4,021,756)</u>

Shetland Charitable Trust
Management and Administration Expenditure
Period to 30 June 2017

	3 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	61,296	290,000	(228,704)
Professional Membership Fees	170	500	(330)
Staff recruitment	-	1,000	(1,000)
Travel and Subsistence	672	7,240	(6,568)
Training and Staff Development	254	4,860	(4,606)
Sub Total Staffing Costs	62,392	303,600	(241,208)
Operating Costs			
Insurance	9,188	9,500	(312)
Administration	597	3,000	(2,403)
Supplies and Services	654	7,000	(6,346)
Bank Charges	58	250	(192)
Professional Fees: Other	1,095	20,000	(18,905)
External Audit Fees	4,320	21,600	(17,280)
Financial advice - internal investments	-	50,000	(50,000)
Trustees Expenses	454	5,000	(4,546)
Meeting expenses	600	4,000	(3,400)
Legal Fees	12,032	50,000	(37,968)
Trustee Recruitment Costs	323	5,000	(4,677)
Sub Total Operating Costs	29,320	175,350	(146,030)
Property Costs			
Energy Costs	675	8,000	(7,325)
Water Rates	134	1,500	(1,366)
Maintenance - Garrison Theatre	145	32,500	(32,355)
Maintenance - 22-24 North Road	684	13,500	(12,816)
Cleaning	287	1,500	(1,213)
Sub Total Property Costs	1,925	57,000	(55,075)
Bad debt write off	-	-	-
Bought In Services			
Treasury	-	36,153	(36,153)
Payroll	-	1,000	(1,000)
Pension	-	3,600	(3,600)
Building Maintenance	-	51,984	(51,984)
Committee Services	-	12,731	(12,731)
Computer Services	4,080	4,328	(248)
HR Service	-	-	-
Messenger Service	-	515	(515)
Insurance Admin	-	-	-
Peninsula	531	2,160	(1,629)
Public Relations	3,800	14,400	(10,600)
Sub Total Bought In Services	8,411	126,871	(118,460)
Total	102,048	662,821	(560,773)

Shetland Charitable Trust
Investment expenses
Period to 30 June 2017

	<u>3 Month</u> Actual £	<u>Annual</u> Budget £	<u>Variance</u> £
Managed fund misc	22,457	-	22,457
Fund managers fees	-	-	-
Black Rock fees	22,000	87,915	(65,915)
WM Company fees	-	-	-
Northern trust fees	12,700	56,800	(44,100)
Insight investment fees	25,000	105,930	(80,930)
Schroders fees	21,910	73,402	(51,492)
Baillie Gifford fees	137,939	481,252	(343,313)
	<u>242,006</u>	<u>805,299</u>	<u>(563,293)</u>

REPORT

To: Shetland Charitable Trust

Date: 14 September 2017

From: Chief Executive

Report: CT1709025

Capital Works Bridging Loan Scheme

1. Introduction

- 1.1 This report updates Trustees on 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 come through. (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.

3. Present Position

- 3.1 Appendix A lists each bridging loan made to date. In total 28 projects have received bridging loans, totalling £2,291,216. Of these, 26 projects have fully repaid their loans.
- 3.2 In 2017/18, the Trust has provided two organisations with bridging loans totalling £67,420 with repayment due within the next 12 months as they receive their grants.
- 3.3 Feedback on the scheme from organisations has been very positive.

4. Financial Implications

- 4.1 There are no new 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 return.

5. Conclusion

- 5.1 Twenty eight projects have been undertaken by community groups throughout Shetland. For many of these projects it would have been very difficult for them to proceed without the support of the Trust's scheme.

6. Recommendation

- 6.1 Trustees are recommended to note this report.

Reference: D19
Date: 30 August 2017

Report Number: CT1709025

Capital Works Bridging Loan Scheme

CT1709025 – Appendix A

Project	Bridging Loan £	Repaid £	Due to SCT £	Notes
Burravoe Pier	25,650	25,650		
Ollaberry Hall	110,000	110,000		
Bressay Sports Park	114,537	114,537		
Scalloway Museum	345,000	345,000		
Fair Isle Hall	62,000	62,000		
Sandsayre Pier	170,000	170,000		
Sandness Hall	100,000	100,000		
Northmavine Club	26,640	26,640		
Hillswick Hall	100,000	100,000		
Fetlar Electric Minibus	35,600	35,600		
Mareel	276,505	276,505		
Sumburgh Lighthouse	120,000	120,000		
Aith Public Hall	9,900	9,900		
Collafirth Marina	58,320	58,320		
South Nesting Public Hall	88,442	88,442		
Aithsvoe Marina	68,202	68,202		
Germatwatt Centre	10,000	10,000		
Shetland Skatepark Association	62,179	62,179		
Hoswick Visitor Centre	46,000	46,000		
Scalloway Boating Club	49,022	49,022		
Aithsvoe Marina-Loan 2	41,867	41,867		
Scalloway Museum-Loan 2	41,041	41,041		
Burravoe Public Hall	43,000	43,000		
Shetland Moving Image Archive (SMIA)	3,231	3,231		
Fetlar Developments Ltd - Loan 2	84,360	84,360		
Sumburgh Lighthouse – Loan 2	132,300	132,300		
Fetlar Developments Ltd – Loan 3	55,000		55,000	New loan issued May 2017
Tresta Boating and Fishing Club	12,420		12,420	New loan issued July 2017
TOTAL	2,291,216	2,223,796	67,420	

